浙江升華蘭德科技股份有限公司
SHENGHUA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8106)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are usually small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Director(s)**") of Shenghua Lande Scitech Limited* (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS

- Achieved a revenue of approximately RMB172,125,000 for the nine months ended 30 September 2019, representing an approximately 18.29% increase as compared with the revenue for the corresponding period in 2018.

- Incurred a net loss of approximately RMB6,581,000 for the nine months ended 30 September 2019, compared to the net loss of approximately RMB3,899,000 for the corresponding period in 2018.

- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019.

The board (the "**Board**") of Directors of the Company is pleased to present the third quarterly results of the Company and its subsidiaries (the "**Group**") for the nine and three months ended 30 September 2019.

2019 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2019, the Group recorded an unaudited revenue of approximately RMB172,125,000 (2018: RMB145,517,000), representing an increase of approximately RMB26,608,000, or approximately 18.29%, as compared with the revenue of the same period in 2018. For the three months ended 30 September 2019, the Group recorded an unaudited revenue of approximately RMB65,533,000 (2018: RMB55,494,000), representing an increase of approximately RMB10,039,000 or approximately 18.09%, as compared with the revenue of the same period in 2018.

For the nine months ended 30 September 2019, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB6,581,000 (2018: RMB3,899,000). For the three months ended 30 September 2019, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB3,412,000 (2018: profit of RMB2,301,000).

The unaudited results of the Group for the nine and three months ended 30 September 2019, together with the unaudited comparative figures for the corresponding periods in 2018, are as follows:

		Nine months ended 30 September		**Three months ended 30 September**	
		2019	2018	**2019**	2018
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	*2*	**172,125**	145,517	**65,533**	55,494
Cost of sales		**(153,917)**	(129,227)	**(60,850)**	(47,708)
Gross profit		**18,208**	16,290	**4,683**	7,786
Other operating income, gains or losses		**3,138**	2,173	**353**	1,391
Distribution and selling expenses		**(8,247)**	(6,747)	**(2,485)**	(2,436)
General and administrative expenses		**(16,381)**	(12,958)	**(3,982)**	(2,502)
Research and development expenditure		**(2,849)**	(2,627)	**(1,870)**	(1,905)
Finance cost		**(446)**	(34)	**(139)**	(34)
(Loss) profit before tax		**(6,577)**	(3,903)	**(3,440)**	2,300
Income tax	*3*	**(46)**	–	**–**	–
(Loss) profit for the period		**(6,623)**	(3,903)	**(3,440)**	2,300
(Loss) profit for the period attributable to:					
Owners of the Company		**(6,581)**	(3,899)	**(3,412)**	2,301
Non-controlling interests		**(42)**	(4)	**(28)**	(1)
		(6,623)	(3,903)	**(3,440)**	2,300
(Loss) earnings per share – Basic and diluted (RMB)	*4*	**(1.30) cents**	(0.77) cents	**(0.67) cents**	0.45 cents

Notes:

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") on 20 September 2001 and its H shares were listed on GEM on 3 May 2002, details of which are set out in the prospectus of the Company dated 24 April 2002.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board and the disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. REVENUE

	Nine months ended 30 September		**Three months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Provision of telecommunication solutions	**–**	–	**–**	–
Trading of hardware and computer software	**90,117**	117,149	**38,273**	46,796
Provision of telecommunication value-added services	**4,675**	8,234	**1,332**	2,580
Provision of smart city solutions	**24,474**	20,134	**6,708**	6,118
Provision of e-commerce supply chain services	**52,859**	–	**19,220**	–
	172,125	145,517	**65,533**	55,494

3. INCOME TAX

	Nine months ended 30 September		**Three months ended 30 September**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	**46**	–	**–**	–

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises for the relevant periods was 25% (2018: 25%). During the relevant periods, one of the subsidiaries of the Company was subject to EIT at a rate of 15% (2018: 15%) as it was classified as an Advanced and New Technology Enterprise (高新科技企業).

No provision for EIT has been made for the Group for the relevant periods (2018: Nil) as there was no assessable profit derived by the Group for the relevant periods (2018: Nil). The EIT charges for the relevant periods represented income tax charges incurred by the representative office set up in Hangzhou City by the subsidiary of the Company established in Hong Kong, pursuant to domestic tax law.

During the relevant periods, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Company established in Hong Kong (2018: Nil) as it did not have any material assessable profits subject to Hong Kong Profits Tax for the relevant periods (2018: Nil).

4. (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share are based on the net loss attributable to owners of the Company for the nine months ended 30 September 2019 of approximately RMB6,581,000 (2018: RMB3.899,000) and the net loss attributable to owners of the Company for the three months ended 30 September 2019 of approximately RMB3,412,000 (2018: profit of RMB2,301,000), respectively, and on approximately 506,546,000 (2018: 506,546,000) shares in issue during the relevant periods.

Diluted (loss) earnings per share was the same as basic (loss) earnings per share for the nine and three months ended 30 September 2019 and 2018 as there were no potential ordinary shares existed during the relevant periods.

5. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2019 and 2018:

	For the nine months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
Accumulated losses		
At 1 January	**(60,628)**	(68,073)
Net loss	**(3,169)**	(6,200)
At 30 June	**(63,797)**	(74,273)
Net (loss) profit	**(3,412)**	2,301
At 30 September	**(67,209)**	(71,972)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (2018: Nil).

REVIEW OF THE THIRD QUARTER

Financial review

1. Overview

The Group is principally engaged in (i) the provision of telecommunication solutions; (ii) the trading of hardware and computer software; (iii) the provision of telecommunication value-added services; (iv) the provision of smart city solutions (the business mainly provides software development and value-added services relating to the construction and operation maintenance of the Citizen Card* (市民卡) systems to the customers, and through which the Group is actively trying to promote its transition to mobile "Internet +" and provide new businesses and products); and (v) the provision of e-commerce supply chain services (the business involves the e-trading of general merchandise and the provision of related services, which includes the provision of supply chain services from the production end, the procurement end to the consumer end for market customers such as e-commerce platforms, branded manufacturers and merchants through the integration of Internet information technology means and data analysis, and was commenced by the Group in the last quarter of 2018).

There is no particular seasonal fluctuation in the Group's revenue except that revenue from various business segments in the first quarter are in general lower than in other quarters. This is primarily due to decreased business activities throughout the PRC before, during and after the week-long Chinese New Year holidays, which occur in January or February of a year. However, the characteristics of the provision of smart city solutions business of the Group is project based. Currently the main revenue of the business comes from specific projects and the income depends on the obtaining of project orders and the progress of projects and therefore it is volatile.

In line with industry performance, the Group's hardware and computer software sales and e-trading of general merchandise normally have relatively low gross profit margin. With the continuous optimisation of product structure and sales strategies and the improvement of service levels, the gross profit margin will increase accordingly. On the other hand, the Group's provision of software development, technical support and various value-added services normally enjoy relatively higher gross profit margin, which vary among different projects and/or products.

2. Revenue

For the nine and three months ended 30 September 2019, (i) the provision of telecommunication solutions business had not generated revenue (2018: Nil); (ii) the trading of hardware and computer software business generated revenue of approximately RMB90,117,000 (2018: RMB117,149,000) and RMB38,273,000 (2018: RMB46,796,000), respectively, representing approximately 23.07% and 18.21% decrease, respectively, when compared to the same periods of last year, which was mainly due to the Group's continuous adjustment to the sales strategy and sales structure of the business in the relevant periods, increasing the sales of relatively higher gross profit margin brands and products, and reducing the sales of low gross profit margin brands and products; (iii) the provision of telecommunication value-added services business generated revenue of approximately RMB4,675,000 (2018: RMB8,234,000) and RMB1,332,000 (2018: RMB2,580,000), respectively, representing approximately 43.22% and 48.37% decrease, respectively, when compared to the same periods of last year. The business was constrained by the industry downturn, which led to a continuous decline in the volume of the business in the relevant periods. In addition, the national policy to strengthen the regulatory restrictions on related call business also affected the income of the business; (iv) the provision of smart city solutions business generated revenue of approximately RMB24,474,000 (2018: RMB20,134,000) and RMB6,708,000 (2018: RMB6,118,000), respectively, representing approximately 21.56% and 9.64% increase, respectively, when compared to the same periods of last year. Due to the differences in the contract amounts of the projects under construction and the progress of the completion of the projects in each period, there was a certain fluctuation in the amount of revenue recognised between the respective periods; and (v) the provision of e-commerce supply chain services business generated revenue of approximately RMB52,859,000 (2018: Nil) and RMB19,220,000 (2018: Nil), respectively. The Group commenced the business in the last quarter of 2018.

For the nine months ended 30 September 2019, the unaudited revenue of the Group was approximately RMB172,125,000 (2018: RMB145,517,000), representing an increase of approximately RMB26,608,000, or approximately 18.29%, as compared with that of the same period in 2018. For the three months ended 30 September 2019, the unaudited revenue of the Group was approximately RMB65,533,000 (2018: RMB55,494,000), representing an increase of approximately RMB10,039,000, or approximately 18.09%, as compared with that of the same period in 2018. The overall revenue of the Group increased during the relevant periods, which was mainly due to the new provision of e-commerce supply chain services business conducted during the relevant periods.

3. *Gross profit margin*

For the nine and three months ended 30 September 2019, (i) the provision of telecommunication solutions business had not generated gross profit (2018: Nil); (ii) the gross profit margin of the trading of hardware and computer software business was approximately 4.98% (2018: 3.78%) and 3.95% (2018: 5.34%), respectively. Compared with previous periods, the gross profit margin of this business remained at a relatively high level as the Group continued to adjust the sales strategy and sales structure of this business by increasing the sales of brands and products with relatively higher gross profit margin, while decreasing the sales of brands and products with low gross profit margin; (iii) the gross profit margin of the provision of telecommunication value-added services business was approximately 91.19% (2018: 83.58%) and 102.93% (2018: 87.71%), respectively. The abnormality of the gross profit margin of the business for the three months ended 30 September 2019 was mainly due to the write-back of the promotion costs over-provided in previous periods during the period. As the base number of the costs of the business was relatively small, the gross profit margin became abnormal after the adjustment; (iv) the gross profit margin of the provision of smart city solutions business was approximately 22.36% (2018: 24.74%) and 9.60% (2018: 49.46%), respectively. The gross profit margin of the business depended on the gross profit margin of individual projects under construction during the relevant periods, which was volatile when compared with the same periods of last year; and (v) the gross profit margin of the provision of e-commerce supply chain services business was approximately 7.54% (2018: not applicable) and 6.02% (2018: not applicable), respectively.

The unaudited gross profit margin of the Group for the nine and three months ended 30 September 2019 was approximately 10.58% (2018: 11.19%) and 7.15% (2018: 14.03%), respectively. The Group's consolidated gross profit margin for the relevant periods decreased when compared to the same periods of last year. The Group has endeavoured to increasing the overall gross profit margin by making appropriate adjustments to the sales strategy and sales structure of the trading of hardware and computer software business, and at the same time, continuously lowering the revenue contribution ratio of the low-margin hardware and computer software trading business by modifying the Group's business structure through the cultivation of the provision of e-commerce supply chain services business. However, due to the significant decline in the revenue of the provision of telecommunication value-added services business with high gross profit margin (the revenue contribution ratio of this business decreased significantly) and the relatively low gross profit margin of the projects under construction of the provision of smart city solutions business during the relevant periods, the overall gross profit margin of the Group has decreased.

4. (Loss) profit attributable to owners of the Company and (loss) earnings per share

For the nine and three months ended 30 September 2019, (i) the provision of telecommunication solutions business had not recorded segment results (2018: Nil); (ii) the trading of hardware and computer software business reported segment profit of approximately RMB439,000 (2018: RMB1,694,000) and RMB138,000 (2018: RMB1,246,000), respectively. During the relevant periods, the business segment increased the manpower and cost investment, and at the same time, the segment revenue decreased due to the business strategy adjustments and market environment, so there was a decline in the segment profit; (iii) the provision of telecommunication value-added services business reported segment profit of approximately RMB331,000 (2018: RMB552,000) and RMB24,000 (2018: RMB127,000), respectively. The revenue of the business segment decreased during the relevant periods, so there was a decline in the segment profit; (iv) the provision of smart city solutions business reported segment loss of approximately RMB3,055,000 (2018: RMB2,121,000) and RMB2,144,000 (2018: profit of RMB1,346,000), respectively. During the relevant periods, the profitability of the business segment decreased due to the relatively lower gross profit margin of the projects under construction; and (v) the provision of e-commerce supply chain services business reported segment profit of approximately RMB318,000 (2018: Nil) and loss of approximately RMB47,000 (2018: Nil), respectively. For the nine and three months ended 30 September 2019, the net unallocated expenses of the Group were approximately RMB4,610,000 (2018: RMB4,028,000) and RMB1,411,000 (2018: RMB419,000).

As a result of the cumulative effect of the principal factors described above, for the nine months ended 30 September 2019, the Group reported an unaudited net loss attributable to owners of the Company and loss per share of approximately RMB6,581,000 (2018: RMB3,899,000) and RMB1.30 cents (2018: RMB0.77 cents), respectively; and for the three months ended 30 September 2019, the Group reported an unaudited net loss attributable to owners of the Company and loss per share of approximately RMB3,412,000 (2018: profit of RMB2,301,000) and RMB0.67 cents (2018: earnings of RMB0.45 cents), respectively.

5. *Bank balances and cash and financial assets at fair value through profit or loss*

As at 30 September 2019, the Group's unaudited total bank balances and cash and financial assets at fair value through profit or loss (which represented the Wealth Management Products as defined and detailed below) amounted to approximately RMB28,048,000 (30 June 2019: RMB35,419,000). The total bank balances and cash and financial assets at fair value through profit or loss to total assets and net asset ratios as at 30 September 2019 were approximately 17.65% (30 June 2019: 25.86%) and 28.48% (30 June 2019: 34.76%), respectively.

Business and operation review

1. *Business and product development*

During the reporting period, the telecommunication solutions business of the Group continued to seek for obtaining new order revenue through internal resource integration, but still have not achieved results. The Group's trading of hardware and computer software business continued to strengthen the sales team construction and sales strategy improvement. For the relevant periods, the revenue has decreased and the gross profit margin has maintained at a relatively high level. In respect of the telecommunication value-added services business, the Group continued the operation with the telecommunication operators for the provision of the services such as SMS business cards (短信名片), 114 Bai Shi Tong Alliance (114號碼百事通), precise marketing (精準行銷) and etc.. Due to the reduced market demand for these services, the revenue has decreased continuously during the relevant periods. Against the status quo of the business, the Group has been reconsidering the development model of the business and will making necessary adjustments thereto according to the actual situation of the relevant business market. The smart city solutions business of the Group was maintaining normal development and providing the customers with relevant software development and value-added services, and its business contracts were implemented in various places. The business was an important carrier for the Group's transformation into the mobile Internet field and the Group continued to promote the new project contract acquisition and project implementation of this business inside and outside Zhejiang Province. The Group has also been encouraging the business's breakthrough in operation services, accelerating the participation in the construction and operation services of smart unions in Hangzhou City, Zhejiang Province, through Hangzhou Increator Smart Union Technology Co., Ltd.* (杭州創建智工科技有限公司) ("**Increator Smart Union**"), a wholly-owned subsidiary of the Group established in the last quarter of 2018, and taking effective measures to achieve early operation services in other areas. During the reporting period, the Group's e-commerce supply chain services business (commenced by the Group since the fourth quarter of 2018) continued to cooperate with well-known cross-border e-commerce platforms in the Mainland to open up upstream and downstream channels and provide cross-border e-commerce general merchandise supply chain services.

The Group continued to actively explore the complementary advantages of the smart city solutions business and the resources of other businesses of the Group to develop new solutions and value-added service products, explore the formation of a sustainable and stable business profit model and enhance the overall profitability of the Group's businesses and products. The new business and product development carried out around these businesses will help the Group to deepen into the field of mobile Internet and gain more commercial value and business opportunities

2. *Investment and cooperation*

Business investment and cooperation

On 15 July 2019, Increator Technology Co., Ltd.* (浙江創建科技有限公司) ("**Increator Technology**") (a wholly-owned subsidiary of the Company) entered into an investment agreement (the "**Investment Agreement**") with Guizhou Broadcasting and Television Network Co., Ltd.* (貴州省廣播電視信息網絡股份有限公司) ("**Guiguang Network**"), pursuant to which Increator Technology and Guiguang Network have agreed to establish Guifutong Network Technology Co., Ltd.* (貴服通網絡科技有限責任公司) (the "**Joint Venture Company**") in Guiyang City, Guizhou Province, the PRC for the purpose of the construction and operation of the Guifutong Platform* (貴服通平台) and the related value-added application service platform and big data platform. According to the Investment Agreement, the registered capital of the Joint Venture Company is RMB50,000,000 and each of Increator Technology and Guiguang Network has agreed to contribute to the registered capital of the Joint Venture Company at RMB16,500,000 and RMB33,500,000, respectively. Details of the Investment Agreement and the Joint Venture Company were set out in the announcement of the Company dated 15 July 2019. The Joint Venture Company completed its registration on 12 August 2019.

Besides the above-mentioned investment, the Group has also been constantly seeking suitable investment opportunities or business cooperation opportunities, including opportunities for expansion of existing businesses and other potential new business opportunities suitable for the Group's development. However, there is no concrete progress up to present.

During the reporting period, the Group also maintained good cooperation relationship with the telecommunication operators, Citizen Card* (市民卡) management companies at various places, e-commerce platforms and other business partners.

Investments in wealth management products

Since the year ended 31 December 2018 and during the reporting period, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products (the "**Wealth Management Products**") issued by Bank of China Limited. The Wealth Management Products had no fixed maturity period and were not principal protected nor with pre-determined or guaranteed return. The underlying investments of the Wealth Management Products were primarily (i) money market instruments (such as various types of deposits, certificates of deposit, pledged repo, etc.); (ii) fixed income securities (such as fixed income products like corporate and government bonds); and (iii) non-standardised assets that met regulatory requirements and other financial investment instruments approved by the regulatory authorities (such as trust loans, acceptance bills and/or letters of credit, etc.). The expected annualised rate of return of the Wealth Management Products was around 2.00% to 3.85%, which was relatively higher than the comparable market bank deposit interest rates.

The subscriptions of the Wealth Management Products were made for treasury management purpose to maximise the return on the unutilised funds of the Group after taking into account, among others, the level of risk, return on investment and term to maturity. The Group generally subscribed for standard short-term wealth management products issued by creditworthy banks with its temporary unused funds, on a revolving basis. Although the Wealth Management Products were marketed as wealth management products which were not principal protected nor with pre-determined or guaranteed return, the underlying investments were considered to have relatively low risk and be also in line with the internal risk management, cash management and investment policies of the Group as the Group had totally recovered the principal and received the expected returns upon the redemption of the Wealth Management Products in the past. In addition, the Wealth Management Products were with flexible redemption terms or a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group could also earn more lucrative returns than spot bank savings or time deposit interest rates. Also, in view of the low risk nature and the flexible redemption terms or a relatively short term of maturity of the Wealth Management Products, the Directors were of the view that the Wealth Management Products posed little risk to the Group and the terms and conditions of each of the subscriptions of the Wealth Management Products was fair and reasonable and was in the interests of the Company and its shareholders (the "**Shareholders**") as a whole. The Group could maximise the overall returns to the Shareholders while maintaining the flexibility of the Group's treasury management.

Details of the subscriptions and redemptions of the Wealth Management Products during the nine months ended 30 September 2019 which constituted notifiable transactions of the Company under Chapter 20 of the GEM Listing Rules were disclosed in the announcement of the Company dated 16 July 2019.

As at 30 September 2019, the Group's investments in the Wealth Management Products were classified as financial assets at fair value through profit or loss in its consolidated statement of financial position, and amounted to approximately RMB3,000,000 (30 June 2019: RMB3,000,000). For the nine and three months ended 30 September 2019, the gain realised by the Group from the Wealth Management Products amounted to approximately RMB390,000 (2018: RMB201,000) and RMB28,000 (2018: RMB124,000), respectively.

Future prospects

1. Order backlog/sales contracts

During the reporting period, the telecommunication solutions business of the Group did not obtained orders and there were difficulties in its advancement. The Group's trading of hardware and computer software business worked with well-known hardware and software vendors in the industry to gradually improve business revenue structure and profitability. All telecommunication value-added service businesses of the Group in cooperation with the telecommunication operators were still within valid contract periods. These businesses at various locations were in operation at the sites concerned. Affected by market demand and policy control, existing service products were difficult to support the sustainable development of the business, and necessary adjustments would be required. The construction service contracts of the Group's smart city solutions business are being implemented at various locations inside and outside Zhejiang Province as planned, and are mainly related to the software development and/or provision of related valued-added service projects for the construction and operation maintenance of the Citizen Card* (市民卡) systems. At the same time, the Group is striving for business orders and contracts in other cities. The Group's e-commerce supply chain services business is at the start-up stage, and have established good cooperative relations with many domestic e-commerce platforms, domestic and foreign brand manufacturers and merchants, and is seeking more business cooperation orders, especially for more upstream brand resources.

The Group is considering the complementary synergies between the business of Increator Technology, a wholly-owned subsidiary aquired by the Group in the first quarter of last year, and the other businesses of the Group, and endeavors to re-establish contact with telecommunication operators and other new customers through the technology and sales capabilities of Increator Technology to obtaining telecommunication solution and other solution contracts; makes use of the expansion and implementation of the smart city solutions business in various places across the country to striving for telecommunication value-added services business orders from telecommunication operators in other regions or provinces and obtaining other related value-added services contracts; takes advantage of the development of the smart city solutions business to pursuing supporting hardware sales contracts; seeks to access the e-commerce supply chain services business with the help of the operation service platforms involved in the smart city solutions business. The Group, through the establishment of Increator Smart Union by Increator Technology at the end of last year, the establishment of the Joint Venture Company with Guiguang Network this year, and etc., will be able to obtain more business orders.

2. *Prospects of new businesses and products*

The Group is actively employing the technology development and business development capabilities of Increator Technology to achieve the innovation and development of its traditional businesses and mobile Internet service business; allowing the Group to tap into the mobile Internet industry through the business of Increator Technology, namely the research and development, the construction and the potential operation of the Citizen Card* (市民卡) system, and gain more commercial value and business opportunities.

The Group will continue to expand its business in the following three directions: (i) improving the profitability of the trading of hardware and computer software business, continuously adjusting the sales strategy to increase the sales of the brands and product categories with higher gross profit margin and to decrease the sales of the brands and product categories with lower gross profit margin, enhancing the terminal hardware customer sales, and relying on smart city solutions business development to seek supporting hardware sales business; (ii) breaking the self-restriction of the original telecommunication solutions business and the telecommunication value-added services business, no longer limited to telecommunication operators, and try to promote solutions and value-added services in other broad fields with the help of the technology and business development of Increator Technology, facilitating the Group's transformation into mobile Internet companies; and (iii) grasping the good development opportunities for smart city construction and promoting the smart city solutions business, strengthening technology research and development, encouraging the continuous improvement and marketing of Increator Technology's Digital Citizen* (數字市民) products (system products based on the core Citizen Card* (市民卡) system developed with higher service standards and wider range of services), while deepening the traditional project engineering business, intensifing the negotiation of Citizen Card* (市民卡) system operation service projects in order to try to commence cooperative operation in appropriate cities as soon as possible, and making use of the help of the newly established Increator Smart Union and Joint Venture Company to operate the service business platform. This will provide a physical platform for the Group's commercial operation when entering the mobile Internet service, which will combine with the resources and experience accumulated by the Group's original telecommunication value-added services business, promote the Group's transition to mobile "Internet +" and provide new value-added services.

Besides, the Group, focusing on the mobile Internet industry, will consider the appropriate integration of existing businesses, promote new business development by concentrating limited resources, combine the existing business and technological advantages to continue seeking new business opportunities, build a business ecosystem with sustainable development capabilities and create an integrated service platform for smart city life, for example, the establishment and operation of a Citizen Card* (市民卡) operating platform (a mobile Internet business platform with a wide range of end-user groups (local citizens, enterprises, institutions)), make use of the wide customer base of the platform to provide various convenient value-added services and business activities, including e-commerce services, etc., to meet the interests of the Group and the Shareholders as a whole. The Group has embarked on research and development projects for e-commerce platform system, converged payment platform and big data management system to prepare for the creation of the integrated service platform for smart city life. Therefore, in addition to the above three aspects, the Group will continue to attach importance to the cultivation and development of the e-commerce supply chain services business, actively accumulate upstream and downstream channel resources, and try to provide e-commerce operation services and brand promotion services, so that the business can achieve good performance as soon as possible, while at the same time, the product resources and service capabilities of the business with sufficient profit potential can be quickly accessed and empowered to create a smart city life integrated service platform, thereby achieving synergy and complementation of internal business sector resources. The Board believes that the Group will, through the continuous enhancement of its business development capabilities, condense its internal resources to consolidate and increase the Group's comprehensive competitiveness and achieve important breakthroughs in new businesses and products in the areas of mobile Internet services and smart city construction.

3. Use of 2015 Placing Proceeds

The change of use of the net proceeds (the "**2015 Placing Proceeds**") received by the Company from the placing of its 150,000,000 new H shares in the end of the year 2015 has been approved by the Shareholders at the extraordinary general meeting held on 29 January 2018. The relevant details were set out in the announcements of the Company dated 29 September 2017, 23 October 2017, 24 November 2017, 13 December 2017 and 29 January 2018, and the circular of the Company dated 15 December 2017, respectively.

Up to 30 September 2019, the use of the 2015 Placing Proceeds are summarised in the following table:

No.	Uses of net proceeds	Allocation (revised as per approval by the Shareholders at the extraordinary general meeting held on 29 January 2018)	Utilised amount as at 30 September 2019	Remaining balance as at 30 September 2019
(a)	Investments in research and development in relation to telecommunication solutions and telecommunication value-added services, developing data mining technologies and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, with a view to transforming towards "Internet +"	Approximately RMB5,000,000	Approximately RMB2,849,000	Approximately RMB2,151,000 *(Note)*
(b)	Future investments	Approximately RMB10,000,000	Approximately RMB10,000,000	–
(c)	General working capital	Approximately RMB21,000,000	Approximately RMB21,000,000	–
(d)	Settlement of consideration for the acquisition of Increator Technology	Approximately RMB6,000,000	Approximately RMB6,000,000	–

Note:

The Group is making great efforts to transform into the mobile Internet industry. With the expansion of the Group's mobile Internet operation services business, the funds will be used in a timely manner for research and development of projects included in the intended use of net proceeds to meet the needs of the development of the operation services business. It is currently expected that the remaining balance of the funds will be used in 2019.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 30 September 2019, none of the Directors, supervisors or chief executives of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors Listed Companies relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Director and vice chairman			
Mr. Chen Ping	Beneficial owner	27,294,240 domestic shares	5.39%

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

For the nine months ended 30 September 2019, none of the Directors, supervisors, or chief executives of the Company was granted options to subscribe for shares of the Company (2018: Nil). As at 30 September 2019, none of the Directors, supervisors or chief executives of the Company or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or to acquire shares of the Company (2018: Nil).

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") conditionally approved by a resolution of the Shareholders dated 20 April 2002 was expired on 20 April 2012. No options had been granted by the Company under the Share Option Scheme.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives of the Company, as at 30 September 2019, there were no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company; or who were Shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in shares

Name	**Capacity and nature of interest**	**Number of shares held**	**Percentage of beneficial interests in the Company's share capital**
Substantial Shareholders			
Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司) ("**Zhejiang Shenghua**")	Beneficial owner and interest of a controlled corporation	217,126,930 domestic shares *(Note 1)* and 49,000,000 H shares *(Note 2)*	52.54%
Rise Sea Limited ("**Rise Sea**")	Beneficial owner	49,000,000 H shares *(Note 2)*	9.67%
Deqing Huisheng Investment Company Limited (德清匯升投資有限公司) ("**Deqing Huisheng**")	Interest of a controlled corporation	217,126,930 domestic shares *(Note 1)* and 49,000,000 H shares *(Note 2)*	52.54%
Mr. Xia Shilin	Interest of a controlled corporation	217,126,930 domestic shares *(Note 1)* and 49,000,000 H shares *(Note 2)*	52.54%

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Ms. Qian Xiaomei	Interest of spouse	217,126,930 domestic shares and 49,000,000 H shares *(Note 3)*	52.54%
Other persons			
Mr. Wong Nga Chi	Beneficial owner	47,000,000 H shares	9.28%
Ms. Yin Cailian	Interest of spouse	47,000,000 H shares *(Note 4)*	9.28%
Ms. Ko Chiu Yu	Beneficial owner	36,500,000 H shares	7.21%
Mr. Fong For	Beneficial owner	16,560,000 H shares	3.27%

Notes:

(1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 217,126,930 domestic shares. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, a limited company established in the PRC, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in these 217,126,930 domestic shares.

(2) These 49,000,000 H shares are beneficially owned by Rise Sea. Rise Sea is a limited company incorporated in Hong Kong and is wholly-owned by Zhejiang Shenghua. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Zhejiang Shenghua, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 49,000,000 H shares held by Rise Sea.

(3) Ms. Qian Xiaomei is the spouse of Mr. Xia Shilin and therefore she and Mr. Xia Shilin are deemed to be interested in each other's shares under the SFO.

(4) Ms. Yin Cailian is the spouse of Mr. Wong Nga Chi and therefore she and Mr. Wong Nga Chi are deemed to be interested in each other's H shares under the SFO.

COMPETING INTERESTS

None of the Directors or management Shareholders and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee in November 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The current audit committee comprises the three independent non-executive Directors, Mr. Shen Haiying, Mr. Cai Jiamei and Ms. Huang Lianxi, with Mr. Shen Haiying as the chairman.

The third quarterly results and the third quarterly report of the Group for the nine months ended 30 September 2019 have not been audited or reviewed by the Company's auditor, but have been reviewed by the Company's audit committee.

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation of the current period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the nine months ended 30 September 2019 (2018: Nil).

By order of the Board
Shenghua Lande Scitech Limited*
Qi Jinsong
Chairman and Chief Executive Officer

Huzhou City, the PRC, 12 November 2019

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Qi Jinsong, Mr. Chen Ping, Mr. Guan Zilong and Mr. Xu Jianfeng, and three independent non-executive Directors, being Mr. Cai Jiamei, Ms. Huang Lianxi and Mr. Shen Haiying.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the website of the Company at www.landpage.com.cn.

* *For identification purposes only*