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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 that the companies listed on GEM are generally 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 from continuing operations of approximately RMB237,630,000 for the year ended 31 December 2020, representing a decrease of approximately 16.66% as compared with the revenue from continuing operations for the year 2019.
- Achieved a net profit attributable to owners of the Company from continuing operations of approximately RMB5,919,000 for the year ended 31 December 2020, comparing to a net profit attributable to owners of the Company from continuing operations of approximately RMB4,574,000 (restated) achieved for the year 2019.
- Incurred a net loss attributable to owners of the Company from discontinued operation of approximately RMB894,000 for the year ended 31 December 2020, comparing to a net profit attributable to owners of the Company from discontinued operation of approximately RMB40,000 (restated) achieved for the year 2019.
- Achieved a net profit attributable to owners of the Company from continuing and discontinued operations of approximately RMB5,025,000 for the year ended 31 December 2020, comparing to a net profit attributable to owners of the Company from continuing and discontinued operations of approximately RMB4,614,000 achieved for the year 2019.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

CONSOLIDATED FINANCIAL INFORMATION

The board (the "**Board**") of Directors is pleased to present the consolidated financial information of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Continuing operations			
Revenue	3	**237,630**	285,117
Cost of sales		**(197,157)**	(253,510)
Gross profit		**40,473**	31,607
Other operating income, net gains or losses	4	**1,154**	5,854
Distribution and selling expenses		**(6,786)**	(7,760)
General and administrative expenses		**(19,066)**	(20,247)
Research and development expenditure		**(9,922)**	(4,907)
Share of result of an associate		**125**	34
Finance costs		**(300)**	(731)
Profit before tax		**5,678**	3,850
Income tax credit (expenses)	5	**241**	(132)
Profit and total comprehensive income for the year from continuing operations	6	**5,919**	3,718
Discontinued operation			
(Loss) profit for the year from discontinued operation	7	**(1,050)**	37
Profit and total comprehensive income for the year		**4,869**	3,755

	Note	2020 *RMB'000*	2019 *RMB'000* (Restated)
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company			
– from continuing operations		**5,919**	4,574
– from discontinued operation		**(894)**	40
Profit and total comprehensive income for the year attributable to owners of the Company		**5,025**	4,614
Loss and total comprehensive expense for the year attributable to non-controlling interests			
– from continuing operations		**–**	(856)
– from discontinued operation		**(156)**	(3)
Loss and total comprehensive expense for the year attributable to non-controlling interests		**(156)**	(859)
		4,869	3,755
Earnings per share	*9*		
From continuing and discontinued operations			
Basic and diluted *(RMB)*		**0.99 cents**	0.91 cents
From continuing operations			
Basic and diluted *(RMB)*		**1.17 cents**	0.90 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Plant and equipment		**514**	729
Deposit paid for acquisition of plant and equipment		**233**	–
Right-of-use assets		**3,286**	1,287
Intangible assets		**625**	925
Interest in an associate		**6,759**	6,634
Deferred tax assets		**587**	362
Goodwill		**1,856**	1,856
Other receivables		**618**	1,463
		14,478	13,256
Current assets			
Inventories		**8,642**	20,892
Trade receivables	*10*	**43,438**	52,560
Prepayments and other receivables		**10,059**	23,147
Contract assets		**12,307**	5,331
Financial assets at fair value through profit or loss		**25,500**	15,601
Bank balances and cash		**28,253**	32,337
		128,199	149,868
Current liabilities			
Trade and other payables	*11*	**22,228**	41,405
Contract liabilities		**4,864**	2,433
Bank borrowings		**–**	8,000
Income tax payable		**27**	154
Lease liabilities		**2,193**	1,685
		29,312	53,677
Net current assets		**98,887**	96,191
Total assets less current liabilities		**113,365**	109,447

	2020	2019
	RMB'000	*RMB'000*
Non-current liability		
Lease liabilities	**848**	601
Net assets	**112,517**	108,846
Capital and reserves		
Paid-in capital	**50,655**	50,655
Reserves	**61,862**	56,837
Equity attributable to owners of the Company	**112,517**	107,492
Non-controlling interests	**–**	1,354
Total equity	**112,517**	108,846

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company						
	Paid-in capital	**Share premium**	**Statutory surplus reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	50,655	101,336	11,515	(60,628)	102,878	2,213	105,091
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	4,614	4,614	(859)	3,755
Transfer to statutory surplus reserve	–	–	1,117	(1,117)	–	–	–
At 31 December 2019 and at 1 January 2020	50,655	101,336	12,632	(57,131)	107,492	1,354	108,846
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	5,025	5,025	(156)	4,869
Deregistration of a subsidiary	–	–	(535)	535	–	(1)	(1)
Disposal of a subsidiary	–	–	–	–	–	(1,197)	(1,197)
Transfer to statutory surplus reserve	–	–	707	(707)	–	–	–
At 31 December 2020	50,655	101,336	12,804	(52,278)	112,517	–	112,517

Notes:

1. BASIS OF PRESENTATION

The Company was established in the People's Republic of China (the "**PRC**") as a joint stock company with limited liability and its shares are listed on GEM.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS(s)**") issued by the International Accounting Standards Board (the "**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

2. APPLICATION OF NEW AND REVISED IFRSs

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs (which include all the IFRSs, International Accounting Standards ("**IAS**") and Interpretations) issued by the IASB which are effective for the Group's financial year beginning 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments[5]
Amendments to IFRS 3	References to Conceptual Framework[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[5]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to IFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[6]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 June 2020
[5] Effective for annual periods beginning on or after 1 January 2023
[6] Effective for effective for common control combinations that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2022

The Directors anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

Revenue comprises income from the trading of hardware and computer software, provision of smart city solutions and provision of e-commerce supply chain services, net of discounts during the year.

The Group's operating segments, based on information reported to the chief operating decision maker (the "**CODM**"), being the executive Directors, are for the purpose of resource allocation and performance assessment. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

Specifically, the Group's reportable segments are as follows:

1. Provision of smart city solutions

2. Trading of hardware and computer software

3. Provision of e-commerce supply chain services

Discontinued operation

An operating segment regarding the provision of telecommunication value-added services was discontinued during the year ended 31 December 2020. The segment information reported in this note did not include any amounts for this discontinued operation.

(a) Segment revenue and results

Continuing operations

The following is an analysis of the Group's revenue and results by reportable segments:

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
								(Restated)
For the year ended 31 December								
Segment revenue – external customers	**42,245**	41,333	**120,025**	138,725	**75,360**	105,059	**237,630**	285,117
Segment results	**8,568**	5,509	**5,696**	407	**44**	745	**14,308**	6,661
Unallocated other operating income, net gains or losses							**306**	6,142
Unallocated expenses							**(8,936)**	(8,953)
Profit before tax (continuing operations)							**5,678**	3,850

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment results represents the result from each segment without allocation of central administration costs, Directors' emoluments and certain other operating income, net gains or losses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Provision of smart city solutions		**Trading of hardware and computer software**		**Provision of e-commerce supply chain services**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000* (Restated)
As at 31 December								
Segment assets	**47,475**	39,965	**26,865**	55,592	**6,007**	9,644	**80,347**	105,201
Unallocated assets							**62,330**	55,244
Assets relating to discontinued operation							**–**	2,679
Total assets							**142,677**	163,124
Segment liabilities	**16,478**	14,448	**8,775**	24,429	**1,839**	4,673	**27,092**	43,550
Unallocated liabilities							**3,068**	10,054
Liabilities relating to discontinued operation							**–**	674
Total liabilities							**30,160**	54,278

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain plant and equipment, right-of-use assets, bank balances and cash, financial assets at fair value through profit or loss, certain prepayments and other receivables and deferred tax assets which are unable to allocate to reportable segments; and

- all liabilities are allocated to reportable segments other than certain other payables, bank borrowings, income tax payable and lease liabilities.

4. OTHER OPERATING INCOME, NET GAINS OR LOSSES

Continuing operations

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Government grant *(note)*	**2,405**	7,075
Exchange loss, net	**(1,070)**	(390)
Bank interest income	**516**	821
Reversal (provision) of impairment loss of inventories	**112**	(364)
Impairment loss on provision of trade receivables, net	**(1,185)**	(2,094)
Impairment loss on provision of other receivables, net	**(45)**	(291)
Gain on disposal of a subsidiary	**420**	–
Gain on deregistration of a subsidiary	**1**	–
Write back of other payables	**–**	1,097
	1,154	5,854

Note: Government grants received during the years ended 31 December 2020 and 2019 related to rebate of value-added tax and government subsidies. There were no unfulfilled conditions or contingencies relating to those grants.

5. INCOME TAX (CREDIT) EXPENSES

Continuing operations

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Current tax expense		
PRC Enterprise Income Tax ("**EIT**")	**120**	216
Over provision in prior year	**(122)**	–
	(2)	216
Deferred tax	**(239)**	(84)
	(241)	132

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises was 25% for the years ended 31 December 2020 and 2019. One of the subsidiaries was subject to EIT at a rate of 15% for the years ended 31 December 2020 and 2019 as it was classified as a High and New Technology Enterprise (高新科技企業).

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2020 and 2019.

6. PROFIT FOR THE YEAR

Continuing operations

Profit for the year has been arrived at after charging (crediting):

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Salaries and other benefits	**27,537**	23,575
Contributions to retirement benefits scheme	**1,754**	3,110
Total staff costs (including Directors', chief executive's and supervisors' emoluments)	**29,291**	26,685
Auditors' remuneration	**600**	647
Depreciation of plant and equipment	**281**	434
Depreciation of right-of-use assets	**1,037**	1,503
Amortisation of intangible assets	**300**	300
Impairment loss recognised on right-of-use assets	**–**	1,039
Impairment loss on trade receivables	**1,714**	2,104
Reversal on provision of trade receivables	**(529)**	(10)
Impairment loss on other receivables	**45**	291
Expense relating to short-term leases	**412**	327
(Reversal of) impairment loss on inventories (included in cost of sales)	**(112)**	364
Cost of inventories recognised as an expense	**180,693**	230,835

7. DISCONTINUED OPERATION

On 9 December 2020, the Company entered into a rights transfer agreement (the "**Rights Transfer Agreement**") to dispose of its rights relating to 85% equity interests in Zhejiang Lan Chuang Information Co., Ltd.* (浙江蘭創通信有限公司) ("**Lan Chuang**"), one of its subsidiaries, together with all benefits and title therein, for a consideration of RMB7,200,000 to an independent third party. The Rights Transfer Agreement was completed on 14 December 2020 and the Group discontinued its provision of telecommunication valued-added services business since then. Details of the Rights Transfer Agreement and discontinuation of the business are set out in the sub-section headed "Investment and Cooperation" under the section headed "Management Discussion and Analysis" below.

The (loss) profit for the year ended 31 December 2020 from the discontinued operation is set out below:

	2020	2019
	RMB'000	*RMB'000*
(Loss) profit of the discontinued operation for the year	**(1,050)**	37

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

9. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations is based on profit for the year attributable to owners of the Company of approximately RMB5,025,000 (2019: RMB4,614,000) and the weighted average number of approximately 506,546,000 (2019: 506,546,000) shares in issue during the year ended 31 December 2020.

Diluted earnings per share was the same as basic earnings per share for the years ended 31 December 2020 and 2019 as there were no potential ordinary shares existed during both years.

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the following data:

Earnings figures are calculated as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Profit for the year attributable to the owners of the Company	**5,025**	4,614
Add (less): loss (profit) for the year from discontinued operation	**894**	(40)
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company from continuing operations	**5,919**	4,574

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**506,546**	506,546

From discontinued operation

Basic and diluted loss per share from discontinued operation is RMB0.18 cents per share (2019: earnings of RMB0.01 (restated)), based on the loss for the year from discontinued operation of approximately RMB894,000 (2019: profit of RMB40,000 (restated)) and the denominators detailed above for both basic and diluted loss per share.

10. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables at amortised cost	**46,219**	54,497
Less: allowance for impairment loss	**(2,781)**	(1,937)
	43,438	52,560

As at 31 December 2020, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB46,219,000 (2019: RMB54,497,000).

There were no specific credit period granted to customers except for an average credit period of 30-90 days (2019: 30-90 days) to its trade customers under trading of hardware and computer software segment. Ageing analysis of the trade receivables, net of allowance for impairment loss, as at the end of reporting period, presented based on the invoice date which approximate to revenue recognition date is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 to 60 days	**32,603**	37,260
61 to 90 days	**713**	5,546
91 to 180 days	**43**	1,224
Over 180 days	**10,079**	8,530
	43,438	52,560

The Group does not hold any collateral over its trade receivables. Based on past experience, management considers the unimpaired balances are fully recoverable as relevant customers have a good track record and are of a good credit standing.

11. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**15,988**	34,072
Other tax payables	**2,711**	1,750
Accrued wages and salaries	**2,233**	2,199
Accrued expenses and other payables	**1,296**	3,384
	22,228	41,405

Ageing analysis of the trade payables presented based on the invoice date is as follows:

	2020	2019
	RMB'000	*RMB'000*
Less than 1 year	**9,654**	29,720
Over 1 year but less than 2 years	**2,440**	753
Over 2 years but less than 3 years	**333**	1,624
More than 3 years	**3,561**	1,975
	15,988	34,072

There was no specific credit period for payment granted by suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

(i) Overview

Continuing operations

The Group is principally engaged in (i) the trading of hardware and computer software; (ii) the provision of smart city solutions; and (iii) the provision of e-commerce supply chain services.

There is no particular seasonal fluctuation in the Group's revenue except that revenues 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, contract amount of orders obtained and progress of projects and therefore it is volatile.

In line with industry performance, the Group's hardware and computer software sales and e-commerce 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.

Discontinued operation

In previous years, the Group had also been carrying out the provision of telecommunication value-added services. Considering that the business no longer met the development needs of the Group, the Group discontinued the business in the last quarter of this reporting year and concentrated the limited resources of the Group to better develop other businesses. Details of the termination of the business are set out in the sub-section headed "Investment and Cooperation" under this section below.

(ii) Revenue

Continuing operations

For the year ended 31 December 2020, (i) the trading of hardware and computer software business generated revenue of approximately RMB120,025,000 (2019: RMB138,725,000), representing approximately 13.48% decrease when compared to last year. The Group started to withdraw from the agency business of a certain brand due to the increased risks in its inventories price decline and receivables since the third quarter of the year, so the revenue for the year fell year-on-year; (ii) the provision of smart city solutions business generated revenue of approximately RMB42,245,000 (2019: RMB41,333,000), representing approximately 2.21% increase when compared to last year. The business is currently focused on construction projects. Due to the differences in the contract amounts for the projects under construction and progress of the projects in each reporting year, there would be certain fluctuation in the amount of revenue recognised in the respective reporting years. The Group has been actively expanding operation services to enhance the stable income capability of the business. Also, during the first half of the year, due to the impact of the "Novel Pneumonia Coronavirus" epidemic, the progress of the implementation of various projects of this business was slower than expected, and there were fewer projects under construction in the first half of the year compared with the same period of last year. Therefore, the revenue of this business dropped sharply year-on-year for the first half of the year. However, with the normal operations of the Group and its customers, especially the smooth progress of some key projects, since the second quarter, the Group has successfully won several major customer orders and completed the signing of contracts, and has been speeding up the on-site development and implementation of the projects. So the business revenue in the second half of the year increased significantly year-on-year, and better business revenue has been achieved for the whole year; and (iii) the provision of e-commerce supply chain services business generated revenue of approximately RMB75,360,000 (2019: RMB105,059,000), representing approximately 28.27% decrease when compared to last year. The customer concentration of this business was relatively high. In the second half of the year 2020, due to the business adjustment of the major customers, the business volume continued to decline. It is expected that the impact will not be eliminated in the short term. The Group has established Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) ("**Dianshi Technology**") at the end of the year 2020 to start deployment in social e-commerce.

For the year ended 31 December 2020, the revenue of the Group from continuing operations was approximately RMB237,630,000 (2019: RMB285,117,000 (restated)), representing a decrease of approximately RMB47,487,000, or approximately 16.66%, as compared with that of the year 2019.

(iii) Gross profit margin

Continuing operations

For the year ended 31 December 2020, (i) the gross profit margin of the trading of hardware and computer software business was approximately 8.04% (2019: 4.50%). Compared with last year, the gross profit margin of this business has increased significantly. The Group strived to continuously 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. At the same time, the Group focused on developing direct customers in this business to increase the overall business gross profit margin, and the effect was apparent; (ii) the gross profit margin of the provision of smart city solutions business was approximately 63.91% (2019: 48.16%). The gross profit margin of this business was affected by the gross profit margins of related projects carried out during the respective reporting years, and there would be certain fluctuations. The Group has been actively expanding operation services to enhance the stable profitability of the business. In addition, this business has increased the research and development investment in the year, which has increased its business gross profit margin to a certain extent (with an increase in the labour cost allocated to research and development expenses, there was a reduction in the project cost allocated); and (iii) the gross profit margin of the provision of e-commerce supply chain service business was approximately 5.07% (2019: 5.20%).

The gross profit margin of the Group from continuing operations for the year ended 31 December 2020 was approximately 17.03% (2019: 11.09% (restated)). Due to the increase in the gross profit margins of the trading of hardware and computer software business and provision of smart city solutions business during the year, the Group's consolidated gross profit margin from continuing operations increased during the year.

(iv) Profit attributable to owners of the Company from continuing operations

For the year ended 31 December 2020; (i) the trading of hardware and computer software business reported segment profit of approximately RMB5,696,000 (2019: RMB407,000). The business segment continued to adjust the sales strategy and sales structure of the business during the year to increase sales of brands and products with higher gross profit margins. In the current year, the Group obtained and completed the large orders of individual major customers and focused on developing direct customers to increase the overall business gross profit margin. As a result, the segment profit of the business increased significantly despite of the decrease in the revenue; (ii) the provision of smart city solutions business reported segment profit of approximately RMB8,568,000 (2019: RMB5,509,000). The improvement in the business segment performance was mainly due to the increase in gross profit margins of the projects completed during the year (the business cost was mainly based on labour cost, which was relatively fixed); and (iii) the provision of e-commerce supply chain business reported segment profit of approximately RMB44,000 (2019: RMB745,000). The decline in the performance of this business segment was mainly due to the decline in business income this year, and the profitability decreased. For the year ended 31 December 2020, the net unallocated expenses of the Group from continuing operations were approximately RMB8,630,000 (2019: RMB2,811,000 (restated)). The significant increase in the net unallocated expenses for the year was mainly attributable to the decrease in government grants received during the year when comparing to the year 2019.

As a result of the cumulative effect of the principal factors described above, for the year ended 31 December 2020, the Group reported a net profit attributable to owners of the Company and earnings per share from continuing operations of approximately RMB5,919,000 (2019: RMB4,574,000 (restated)) and RMB1.17 cents (2019: RMB0.90 cents (restated)), respectively.

(v) (Loss) profit attributable to owners of the Company from discontinued operation

For the year ended 31 December 2020, the Group reported a net loss attributable to owners of the Company from discontinued operation of approximately RMB894,000 (2019: profit of RMB40,000 (restated)).

(vi) Profit attributable to owners of the Company from continuing and discontinued operations

For the year ended 31 December 2020, the Group reported a net profit attributable to owners of the Company and earnings per share from continuing and discontinued operations of approximately RMB5,025,000 (2019: RMB4,614,000) and RMB0.99 cents (2019: RMB0.91 cents), respectively.

2. Impact of "Novel Pneumonia Coronavirus" epidemic

The epidemic of the "Novel Pneumonia Coronavirus" in early 2020 had made a deep impact on the social and economic development. The Group cooperated with the government to fight the spread of the virus and actively took counter-measures to avoid economic loss. The Group also studied and analysed the pandemic's effect on its business and identified consequent development opportunities. During the pandemic, the Group maintained normal business activity to the greatest extent possible. According to the advantages and characteristics of the industry in which the Group worked, it promoted its employees to work from home and over the network and maintained close contact with its suppliers and customers. In addition, according to the experience of the Group in the past years, the Group's business would have relatively little activity before, during and after the Chinese New Year holiday. Therefore, though issues like the delayed resumption of work had some impact (such as decreasing efficiencies in goods delivery, project development, etc) on the Group's main business operations, they were basically controllable. As the pandemic in the PRC was successfully curtailed, its negative impact on the Group's operating activities has lessened. Information technology played a huge role in the fight against the pandemic, whether through "digital empowerment (數字賦能)" in aid of government management or "convenient services (便民服務)" to meet the needs of ordinary people. The Group's businesses also played a role, such as the smart city solutions business provided solutions for individual city customers helping the government's anti-pandemic measures and achieved praise from the industry and customer groups. The measures taken by the Group also created a solid foundation for seizing on post-pandemic market rebound opportunities during the year, keeping pace with "new infrastructure (新基建)" developments, and securing more market orders. As the pandemic might still drag on for some time, the Group would prepare best to cope with the negative impact and grasp any market development opportunity in the post-epidemic era.

3. Business and product development

Continuing operations

During the reporting year, the Group (i) strengthened its risk management in the trading of hardware and computer software business, continued to adjust its sales strategy and sales structure, gradually withdrew from the sales of brands and products with high level of inventories and receivables and increased the proportion of sales revenue from end customers with higher gross profit margins, and expanded the system integration service business to ensure the overall stable development of the business; (ii) actively grasped the development opportunities of domestic smart cities construction in the provision of smart city solutions business, leveraging on external resources to strengthen internal coordination, giving full play to the advantages of "digital anti-epidemic (數字抗疫)" to seize market opportunities such as the promotion of "new infrastructure (新基建)" by the government and the upgrade of third-generation social security cards, and continued to provide continuous software system development services and value-added services for the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)" in local cities where the Group has maintained good relationships with customers. In addition, the Group also vigorously explored new customer resources within and outside Zhejiang Province, and it successively won the bid for the new project of Changchun citizen card, upgrade project of Zhoushan citizen card and transformation project of Shaoxing citizen card, with the total contract amount for the year hitting a record high in the history of the business. With the development of new technologies such as AIoT and big data, the Group vigorously innovated to provide new smart city solutions services based on the City Brain (城市數據大腦) and new solution services in other sub-segments (such as smart trade union, smart community, smart housekeeping and digital village, etc.), and continued to conduct meaningful exploration in platform operation services; and (iii) continued to maintain output of its e-commerce supply chain services business, actively explored domestic and overseas upstream supply channels and opened up and connected with various domestic downstream merchants including e-commerce platforms, under the dual influence of the pandemic and the integration of domestic cross-border e-commerce platforms. With the advancement of this business and the exploration of market opportunities, the Group has made fruitful attempts and business planning in the brand promotion services for beauty branding and healthy food, and has participated step-by-step in e-commerce platform operation services. In particular, at the end of the reporting year, the Group has set a new direction for the development of this business and established Dianshi Technology, a joint venture company, engaging a community marketing service team, to build a new retail entrepreneurial incubation platform and offer community marketing service of a wide range of mother and child supplies and other products.

Discontinued operation

Due to policy factors and business model limitations, the Group's development of telecommunication value-added services business did not meet its expectations. The Group disposed of such business in the reporting year in order to concentrate its limited resources for better development of other businesses.

4. Investment and cooperation

(i) Business investment and cooperation

On 9 December 2020, the Company entered into the Rights Transfer Agreement with Mr. Zhang Jing, Mr. Jin Liang-fu and the other shareholders of Lan Chuang, pursuant to which the Company conditionally agreed to transfer to Mr. Zhang Jing the rights relating to 85% equity interests in Lan Chuang, together with all benefits and title therein, for a consideration of RMB7,200,000. Lan Chuang was then a subsidiary of the Company principally engaged in the provision of telecommunication value-added services, and was owned as to 85% by the Group (through a variable interest entity structure in the form of contractual arrangements with Mr. Jin Liang-fu being the registered owner for the Company). Details of the Rights Transfer Agreement and transfer of the rights relating to 85% equity interests in Lan Chuang were set out in the announcement of the Company dated 9 December 2020. Following the completion of the Rights Transfer Agreement on 14 December 2020, Lan Chuang ceased to be a subsidiary of the Company and the Group discontinued its provision of telecommunication value-added services business.

On 28 December 2020, the Company entered into an investment cooperation framework agreement (the "**Investment Cooperation Framework Agreement**") with Mr. Li Dejun, Hangzhou Fun and Culture Creativity Partnership LP* (杭州拾趣文化創意合夥企業(有限合夥)) ("**Fun and Culture Creativity Partnership**") and Mr. Chen Guojian, pursuant to which the afore-mentioned parties have agreed to establish Dianshi Technology with a registered capital of RMB10,000,000 in Huzhou City, Zhejiang Province, the PRC and each of the Company, Mr. Li Dejun, Fun and Culture Creativity Partnership and Mr. Chen Guojian has agreed to contribute to the registered capital of Dianshi Technology at RMB4,100,000, RMB4,000,000, RMB1,800,000 and RMB100,000, respectively. Dianshi Technology will be principally engaged in the provision of community marketing services, through building and operating a start-up incubator platform and establishing high value-added supply chain channels and the overall incubator service system, providing reliable, high-quality, unique goods and comprehensive standardised valued-added services for the entrepreneurial community teams. Details of the Investment Cooperation Framework Agreement and formation of Dianshi Technology were set out in the announcements of the Company dated 28 December 2020 and 30 December 2020. Dianshi Technology was established on 29 December 2020 and accounted for as a subsidiary of the Company and its financial statements would be incorporated in the consolidated financial statements of the Group.

Subsequent to the year end, on 15 March 2021, 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 equity transfer agreement (the "**Equity Transfer 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 agreed to sell its 33% equity interests in Guifutong Network Technology Co., Ltd.* (貴服通網絡科技有限責任公司) ("**Guifutong**") to Guiguang Network for a consideration of RMB7,218,500. Guifutong has been principally engaged in the provision of smart city solutions, involving mainly the construction and operation of the Guifutong Service Platform and the related value-added application service platform and big data platform. Guifutong was then an associate of the Group and was owned as to 33% by Increator Technology and 67% by Guiguang Network. Details of the Equity Transfer Agreement and disposal of 33% equity interests in Guifutong were set out in the announcement of the Company dated 15 March 2021. The Equity Transfer Agreement has not yet been completed up to the date of this announcement. Upon the completion of the Equity Transfer Agreement, the Group will no longer hold any equity interests in Guifutong, which will cease to be an associate of the Group.

Besides the above-mentioned investment activities, 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 substantial progress up to present.

During the year ended 31 December 2020, the Group deregistered an immaterial and inactive subsidiary, namely Hangzhou Qunsite Communication Service Co., Ltd.* (杭州群思特通信服務有限公司), due to restructuring of business units.

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

(ii) Investments in wealth management products

During the reporting year, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products issued by Bank of China Limited (the "**BOC Wealth Management Products**") and Bank of Hangzhou Co., Ltd.* (杭州銀行股份有限公司) (the "**BOH Wealth Management Products**") (collectively referred to as the "**Wealth Management Products**"). The Wealth Management Products had no fixed maturity periods and were not principal protected nor with pre-determined or guaranteed returns. The underlying investments of the BOC 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). The expected annualised rate of return of the BOC Wealth Management Products was around 2.40% to 2.80% (2019: 2.80% to 3.50%), which was relatively higher than the comparable market bank deposit interest rates. The underlying investments of the BOH Wealth Management Products were mainly fixed income assets, including but not limited to various bonds, deposits, money market financial instruments and other highly liquid assets, bond funds, pledged and buyout repo, and other debt assets that met regulatory requirements. The expected annualised rate of return of the BOH Wealth Management Products was around 2.94% to 3.18% (2019: not applicable), 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 idle 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 fully 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 relatively short terms 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 relatively short terms of maturity of the Wealth Management Products, the Directors were of the view that the above-mentioned investments in 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 of the Wealth Management Products during the year ended 31 December 2020 which constituted notifiable transactions of the Company under Chapter 19 of the GEM Listing Rules were disclosed in the announcement of the Company dated 16 November 2020. Details of the subscriptions and/or redemptions of the Wealth Management Products during the year ended 31 December 2019 which constituted notifiable transactions of the Company under Chapter 19 of the GEM Listing Rules were disclosed in the announcement of the Company dated 16 July 2019.

As at 31 December 2020, the Group's investments in the Wealth Management Products issued by the said two banks were classified as financial assets at fair value through profit or loss in its consolidated statement of financial position, with an aggregate outstanding principal amounted to approximately RMB25,500,000 (2019: RMB15,601,000) and represented approximately 17.87% (2019: 9.56%) of its total assets. For the year ended 31 December 2020, the gain realised by the Group from the Wealth Management Products amounted to approximately RMB491,000 (2019: RMB778,000).

5. Principal risks and uncertainties

The Group has been operating in the domestic information and trading markets in the PRC. There was market uncertainty on whether the PRC economy growth would persist in the coming years. The Group's financial performance might be adversely affected if the domestic consumer market downturn occurred and the competition in the market continued to be intensified. The Group endeavoured to develop and transform its business towards mobile Internet industry application and services, aiming to diversify the risk of over reliance on one single business segment or product and cultivate new business and new products with more market competitiveness in order to replace the traditional uncompetitive business.

Other risks and uncertainties will be set out in the notes to the consolidated financial statements.

6. Employees information

Continuing operations

As at 31 December 2020, the Group had approximately 152 (2019: 159 (restated)) employees in total. The total staff costs of the Group for the continuing operations for the reporting year amounted to approximately RMB29,291,000 (2019: RMB26,685,000 (Restated)).

The Group's human resources management strategy has been formulated in accordance with the Group's guidelines of development strategy on one hand and with the goals stipulated in the long term vision planning as its direction on the other. At the same time, incentive scheme has been linked with other human resources programs and promoted each other. The Group opened wide for recruitment channels, set up mechanisms for attracting human resources, grasped for the development of talent usability and formulated a good system in people deployment and incubation. The Group implemented an annual income target system which linked up staff performance appraisal with compensation system. Target annual income was confirmed and released in accordance with performance appraisal result. After a total assessment on employee's job performance, capability and work attitude, an integrated evaluation could be established for the employee which would be used as referencing standard. Through the integration of the two systems, the employees were effectively motivated and the attainment of the Group's goals was assured.

The Group attached great importance to staff development and ability improvement and provided them with various training opportunities on qualities and skills. In this way, employees would be more suitable for the Group's job requirements, and at the same time, they would be fully developed in their careers.

The Group did not issue any share options nor had any bonus plan.

7. Environment protection

The Group's business did not involve any environmental pollution emissions. The key environmental impacts from the Group's operations mainly related to paper and energy consumption. To achieve environment protection, the Group encouraged its employees to reduce paper, electricity and other resources consumption throughout all its operations. Moreover, some of the business products provided by the Group would help to improve social management efficiency and save paper, electricity and other resources consumption.

8. Compliance

During the year, the Group has complied with all relevant laws and regulations and has obtained all permits and business licences from various governmental authorities necessary to carry on its business.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the year ended 31 December 2020, the Group's revenue from continuing operations amounted to approximately RMB237,630,000 (2019: RMB285,117,000 (restated)).

- For the year ended 31 December 2020, the Group achieved a profit margin from continuing operations of approximately 17.03% (2019: 11.09% (restated)).

- For the year ended 31 December 2020, the Group achieved a net profit attributable to owners of the Company from continuing operations of approximately RMB5,919,000 (2019: RMB4,574,000 (restated)).

- For the year ended 31 December 2020, the Group incurred a net loss attributable to owners of the Company from discontinued operation of approximately RMB894,000 (2019: profit of RMB40,000 (restated)).

- For the year ended 31 December 2020, the Group achieved a net profit attributable to owners of the Company from continuing and discontinued operations of approximately RMB5,025,000 (2019: RMB4,614,000).

- For the year ended 31 December 2020, the Group recorded earnings per share from continuing operations of approximately RMB1.17 cents (2019: RMB0.90 cents (restated)).

- For the year ended 31 December 2020, the Group recorded earnings per share from continuing and discontinued operations of approximately RMB0.99 cents (2019: RMB0.91 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2020, the Group was mainly financed by proceeds generated from daily operations, other internal resources and bank borrowings.

- As at 31 December 2020, the Group had right-of-use assets of approximately RMB3,286,000 (2019: RMB1,287,000). The significant increase in the Group's right-of-use assets during the reporting year was mainly attributable to new leases of offices.

- As at 31 December 2020, the Group had inventories of approximately RMB8,642,000 (2019: RMB20,892,000). The Group focused on controlling the inventories balance of the trading of hardware and computer software business in the year, so the inventories balance at the end of the reporting year decreased significantly.

- As at 31 December 2020, the Group had trade receivables of approximately RMB43,438,000 (2019: RMB52,560,000). The decrease in the Group's trade receivables during the reporting year was mainly attributable to the decrease in trade receivables under the trading of hardware and computer software business segment.

- As at 31 December 2020, the Group had total prepayments and other receivables of approximately RMB10,677,000 (2019: RMB24,610,000). The Group focused on controlling the inventories balance of the trading of hardware and computer software business in the year, so the balance of prepayments made to suppliers at the end of the reporting year decreased significantly.

- As at 31 December 2020, the Group had contract assets of approximately RMB12,307,000 (2019: RMB5,331,000). The significant increase in the Group's contract assets during the reporting year was mainly attributable to the increase in number of projects under the provision of smart city solutions business segment which had retention periods.

- As at 31 December 2020, the Group's total bank balances and cash and financial assets at fair value through profit or loss (which represented the Wealth Management Products as detailed above) amounted to approximately RMB53,753,000 (2019: RMB47,938,000). The total bank balances and cash and financial assets at fair value through profit or loss to total assets and net assets ratio as at 31 December 2020 were approximately 37.67% (2019: 29.39%) and 47.77% (2019: 44.04%), respectively.

- As at 31 December 2020, the Group had trade and other payables of approximately RMB22,228,000 (2019: RMB41,405,000). The Group focused on controlling the inventories balance of the trading of hardware and computer software business in the year, so the trade payables balance at the end of the reporting year decreased significantly.

- As at 31 December 2020, the Group had contract liabilities of approximately RMB4,864,000 (2019: RMB2,433,000). The significant increase in the Group's contract liabilities during the reporting year was mainly attributable to the increase in advance payments from customers for services in respect of the provision of smart city solutions business segment.

- As at 31 December 2020, the Group had no bank borrowings (2019: RMB8,000,000). The decrease in the Group's bank borrowings during the reporting year was mainly attributable to the repayments of bank borrowings.

- As at 31 December 2020, the Group had total lease liabilities of approximately RMB3,041,000 (2019: RMB2,286,000). The increase in the Group's total lease liabilities during the reporting year was mainly attributable to the entering into of lease agreements in respect of renting offices.

- As at 31 December 2020, the Group had total assets of approximately RMB142,677,000 (2019: RMB163,124,000).

- As at 31 December 2020, the Group had current assets of approximately RMB128,199,000 (2019: RMB149,868,000).

- As at 31 December 2020, the Group had current liabilities of approximately RMB29,312,000 (2019: RMB53,677,000).

- As at 31 December 2020, the Group had non-current liabilities of approximately RMB848,000 (2019: RMB601,000).

- As at 31 December 2020, the Group had equity attributable to owners of the Company of approximately RMB112,517,000 (2019: RMB107,492,000).

- As at 31 December 2020, the Group had no non-controlling interests (2019: RMB1,354,000).

- As at 31 December 2020, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 21.14% (2019: 33.27%).

- As at 31 December 2020, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 22.86% (2019: 35.82%).

- The Group's exposure to foreign currency risk related principally to its bank balances, trade receivables, other receivables, contract assets and trade and other payables denominated in foreign currencies other than the functional currency of relevant group entity. The Group did not have a foreign currency hedging policy. However, the Directors would continuously monitor the related foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. Further information on the Group's currency risk will be set out in the notes to the consolidated financial statements.

- As at 31 December 2020, none of the Group's assets were pledged (2019: Nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the year ended 31 December 2020 (2019: Nil). The registered capital of the Company was RMB50,654,617, comprising 244,421,170 domestic shares of the Company of nominal value of RMB0.10 each and 262,125,000 H shares of the Company of nominal value of RMB0.10 each, as at 31 December 2020 and 2019.

LITIGATION

On 8 March 2021, the Company received a civil complaint and a court summons issued by the People's Court of Haidian District, Beijing to the Company with Case Number (2020) Beijing 0108 Min Chu No. 24340, under which Beijing Fortis Oriental Technology Co., Ltd.* (北京富通東方科技有限公司) sued the Company and three other defendants (collectively referred to as the "**Defendants**") on the ground of infringement of trade secrets disputes, requesting the payments of (i) compensation for financial losses of approximately RMB10,944,000 and related interest payment calculated for the period from 7 July 2008 to 30 April 2020, with total principal and interest amounting to approximately RMB18,096,000; (ii) related expenses for handling the case of RMB300,000; and (iii) all litigation costs, jointly by the Defendants (the "**Litigation**"). The case will be heard on 15 April 2021. Details of the Litigation were set out in the announcement of the Company dated 9 March 2021.

The Company has commenced to investigate into the Litigation and engaged a PRC legal representative to prepare for defence and search for relevant evidence to actively respond to the Litigation. Based on the legal opinion issued by the Company's PRC legal adviser, the Directors considered that due to the uncertainties of the Litigation and the Company had reasonable grounds in opposing the enforcement of any judgement of the said case against the Company, no provision has been made in the consolidated financial statements of the Group at this stage. However, due to the inherent uncertainties of the Litigation itself, the Company cannot predict whether the defence will succeed and whether it will bear some or all of the payment responsibilities. The Company will make further announcement(s) regarding any material development of the Litigation as and when appropriate.

In connection with the uncertainties of the Litigation, the Company's auditor, SHINEWING (HK) CPA Limited ("**SHINEWING**"), has included an emphasis of matter paragraph in the independent auditor's report on the Group's consolidated financial statements for the year as set out in the section headed "Extract of Independent Auditor's Report" below.

EVENTS AFTER THE REPORTING PERIOD

As described above, on 15 March 2021, the Group entered into the Equity Transfer Agreement to dispose of its 33% equity interests in Guifutong, an associate of the Group. Details of the Equity Transfer Agreement and disposal of 33% equity interests in Guifutong were set out in the announcement of the Company dated 15 March 2021. Save as disclosed herein, there were no significant events after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/status in sales contract

During the reporting year, the Group's trading of hardware and computer software business maintained close cooperative relationships with well-known hardware and software vendors. Apart from the sales of computer storage servers and other products and services, it ventured into system integration services in the security sector, and sought to increase the proportion of system integration service contract revenue as part of its effort to gradually improve the business income structure and profitability. The Group's smart city solutions business's construction service contracts were being implemented in and outside of Zhejiang Province as planned, and it has established good cooperative relationships with local city customers. In response to customer demand, it has provided smart city solution products and services such as the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)". Business orders and contracts in many other cities in the country were explored, creating paths for subsequent new contracts and orders. The Group's e-commerce supply chain services business has cooperative relationships with a number of domestic e-commerce platforms, domestic and foreign brand manufacturers and merchants. However, business model restrictions and intensified market competition placed traditional cross-border e-commerce supply chain services under increased pressure. The promotion services of beauty branding and healthy food and the community marketing services to be cultivated were underway, and initial intention for cooperation has been reached with a number of potential partners to lay the foundation for rapid development in the next year. Due to business model limitations and policy factors, the Group's development of telecommunication value-added services business has lagged behind expectations. The business was disposed of by the Group during the reporting year. The Directors believed that the disposal would have no material adverse impact on the Group's financial and operating conditions.

2. Future prospects of new business and new products

The Group has continued to pursue business transformation and development. During the reporting year, business adjustments have achieved certain results and the direction of business development was gradually clarified, achieving a major step towards building a business ecosystem in line with the development of the Group. The Group will integrate its existing business and technological advantages to continue seeking new business opportunities, with the support of technological development and business innovation capabilities grasped by the provision of smart city solutions business, collaborating with other businesses, integrating resources, and developing innovative new businesses or products to bulid a business ecosystem with sustainable development capabilities.

On the one hand, the Group will follow the trend of promoting "digital governance (數字治理)" in the PRC and "digital reform (數字化改革)" in Zhejiang Province, make use of the technical advantages and customer resources in various cities accumulated in the provision of smart city solutions business, strengthen the innovation of solutions, provide "digital empowerment (數字賦能)" to customers, and, through the continuous improvement of the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", especially enhance the innovative expansion of application scenarios and service functions of new applications of digital citizens (數字市民) based on the City Brain (城市數據大腦), such as further strengthening the development of applications like smart trade union, smart community, digital village and smart housekeeping services. The Group will grasp the opportunities arose from the deep reconsideration by the state and governments at all levels of social governance and city management service capabilities and efficiency, promote to customers in various cities better solutions, which possess perfect digital information services including "information dissemination, information collection, source tracing and behavioural management", for the improvement of their social governance and city management, and drive the development of new customers and excavation of old customers of the business.

On the other hand, the Group will continue to develop operation services, aiming to provide a variety of convenient and value-added services to the broad customer base of the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)" and maximise business value. Firstly, the Group will continue to promote the output of operation services in smart trade unions. While providing system solution development services, it will also enhance its value-added service capabilities and provide trade unions and their members with personalised value-added services and products. Secondly, the Group will also encourage the e-commerce supply chain services business to provide operation services for e-commerce platforms, further accumulate upstream and downstream channel resources to secure products and service capabilities with sufficient profit potential, and push forward the coordinated development with the operation services of the provision of smart city solutions business with better utilisation of resources.

Further, the Group will actively pursue for the transformation and development of other business sectors, accelerate the development of new projects, and effectively implement its various business plans enhancing the construction of its own business ecosystem. Firstly, to guide the trading of hardware and computer software business to continue to adjust sales strategies and sales structure, strengthen the expansion of system integration services, seek supporting service opportunities with the help of the smart city solutions business, and encourage useful exploration in other product sales services. Secondly, to accelerate the cultivation of e-commerce supply chain services business in brand promotion services and community marketing services, establish operation teams as scheduled, search for high-quality product supply chain channels, and build service platforms to achieve effective breakthroughs in transformation and development as soon as possible.

In order to achieve its strategic development goals, the Group has actively and steadily advanced related work in accordance with the above plan. The Board believes that the Group would seize the opportunity and, through adoption of effective measures and with the coordinated development of each business sector, the Group can build a business ecosystem with own characteristics with full and effective coverage from technology to service, from product to platform, from offline to online, and from B end to C end in the future. The Group's sustainable profitability in the mobile Internet service sector will be created which will bring further value to the Shareholders.

During the reporting year, the business adjustments of the Group achieved certain results. The direction of business development has gradually become clear, which has been a big step forward to building a business ecosystem in line with the development of the Group. However, the Group still faces many challenges. It is still uncertain whether the Group can seize the opportunity in the fierce market competition, build up core competitiveness in its business, and achieve substantive breakthroughs. Looking forward, the Group will further carefully streamline the three existing business segments, follow the trend of the promotion of "digital governance (數字治理)" in the PRC and the "digital reform (數字化改革)" in Zhejiang Province, actively seize the development opportunities of the domestic mobile Internet industry and smart city construction, identify the main weakness of the industry to explore and seize the market demand, give full play to the advantages of business resources, and achieve effective breakthroughs in the Group's business, so as to improve the comprehensive profitability of the Group. The Group will maintain stable growth of the traditional business base of its three existing business sectors, promote the effective implementation of new projects of various businesses such as new application solution services based on the City Brain (城市數據大腦), community marketing service projects, etc., strengthen internal systematic management, promote collaborated development, plan the "Fourteenth Five-Year" development strategy in a scientific manner, and hold accountable the responsible personnel at all levels to ensure the sustainable and healthy development of the Group, and create more business value for the Shareholders and give back to the society.

EXTRACT OF INDEPENDENT AUDITOR' REPORT

The following is an extract of SHINEWING's independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020. The report included an emphasis of matter paragraph, without qualification.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without modifying our opinion, we draw attention to note 44 to the consolidated financial statements which describes the significant uncertainty related to the outcome of the lawsuit filed against the Company.

COMPARATIVES

Certain items related to the discontinued operation during the year ended 31 December 2019 have been restated to conform to current year's presentation. As such reclassification adjustment has no impact to the consolidated statement of financial position, the consolidated statement of financial position as at 1 January 2020 is not presented.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2020 have been reviewed and approved by the Company's audit committee.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this preliminary announcement.

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 year ended 31 December 2020 (2019: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2020, the Company complied, in all material aspects, with all code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules except for the following deviation.

The CG Code Provision A.2.1 stipulates that the roles of the chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

For the period from 1 January 2020 to 12 November 2020, Mr. Qi Jinsong is both the chairman (the "**Chairman**") and chief executive officer (the "**Chief Executive Officer**") of the Company who is responsible for managing the Board and Group's business. The Board considered that, with the then Board structure and scope of business of the Group, vesting the roles of the Chairman and Chief Executive Officer in the same person enabled more effective and efficient planning and implementation of business plans and the Board believed that the balance of power and rights has been adequately ensured. With effect from 13 November 2020, Mr. Qi Jinsong has resigned as the Chief Executive Officer and continued to act as an executive Director and the Chairman, while Mr. Xu Yin has been appointed by the Company as the Chief Executive Officer in order to further enhance the effectiveness of the Group's corporate governance structure and to enable more efficient implementation of business plans.

On behalf of the Board
Shenghau Lande Scitech Limited*
Qi Jinsong
Chairman

Hangzhou City, the PRC, 19 March 2021

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Qi Jinsong, Mr. Guan Zilong and Mr. Xu Jianfeng; one non-executive Director, being Mr. Chen Ping; 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*