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 2021

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 RMB218,368,000 for the year ended 31 December 2021, representing a decrease of approximately 8.11% as compared with the revenue from continuing operations for the year 2020.

- Achieved a net profit attributable to owners of the Company from continuing operations of approximately RMB665,000 for the year ended 31 December 2021, comparing to a net profit attributable to owners of the Company from continuing operations of approximately RMB5,919,000 achieved for the year 2020.

- Had not recorded any results attributable to owners of the Company from discontinued operation for the year ended 31 December 2021, comparing to a net loss attributable to owners of the Company from discontinued operation of approximately RMB894,000 incurred for the year 2020.

- Achieved a net profit attributable to owners of the Company from continuing and discontinued operations of approximately RMB665,000 for the year ended 31 December 2021, comparing to a net profit attributable to owners of the Company from continuing and discontinued operations of approximately RMB5,025,000 achieved for the year 2020.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

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 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Continuing operations			
Revenue	3	**218,368**	237,630
Cost of sales		**(178,606)**	(197,157)
Gross profit		**39,762**	40,473
Other operating income, net gains or losses	4	**1,529**	1,154
Distribution and selling expenses		**(11,637)**	(6,786)
General and administrative expenses		**(33,429)**	(19,066)
Research and development expenditure		**(8,647)**	(9,922)
Share of result of associates		**92**	125
Gain on disposal of investment in an associate		**367**	–
Finance costs		**(686)**	(300)
(Loss) profit before tax		**(12,649)**	5,678
Income tax (expenses) credit	5	**(926)**	241
(Loss) profit and total comprehensive (expense) income for the year from continuing operations	6	**(13,575)**	5,919
Discontinued operation	7		
Loss for the year from discontinued operation		**–**	(1,050)
(Loss) profit and total comprehensive (expense) income for the year		**(13,575)**	4,869

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company			
– from continuing operations		**665**	5,919
– from discontinued operation		**–**	(894)
Profit and total comprehensive income for the year attributable to owners of the Company		**665**	5,025
Loss and total comprehensive expense for the year attributable to non-controlling interests			
– from continuing operations		**(14,240)**	–
– from discontinued operation		**–**	(156)
Loss and total comprehensive expense for the year attributable to non-controlling interests		**(14,240)**	(156)
		(13,575)	4,869
Earnings per share	*9*		
From continuing and discontinued operations			
Basic and diluted *(RMB)*		**0.13 cents**	0.99 cents
From continuing operations			
Basic and diluted *(RMB)*		**0.13 cents**	1.17 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Plant and equipment		**5,493**	514
Deposit paid for acquisition of plant and equipment		**–**	233
Right-of-use assets		**8,153**	3,286
Intangible assets		**342**	625
Interest in an associate		**–**	6,759
Deferred tax assets		**771**	587
Goodwill		**2,272**	1,856
Other receivables		**285**	618
		17,316	14,478
Current assets			
Inventories		**11,179**	8,642
Trade receivables	*10*	**57,677**	43,438
Prepayments and other receivables		**10,049**	10,059
Contract assets		**9,826**	12,307
Financial assets at fair value through profit or loss		**27,611**	25,500
Bank balances and cash		**41,812**	28,253
		158,154	128,199
Current liabilities			
Trade and other payables	*11*	**52,940**	22,228
Contract liabilities		**415**	4,864
Income tax payable		**549**	27
Lease liabilities		**3,379**	2,193
Amount due to ultimate holding company		**8,000**	–
		65,283	29,312
Net current assets		**92,871**	98,887
Total assets less current liabilities		**110,187**	113,365

	2021	2020
	RMB'000	*RMB'000*
Non-current liability		
Lease liabilities	**4,711**	848
	105,476	112,517
Capital and reserves		
Paid-in capital	**50,655**	50,655
Reserves	**62,527**	61,862
Equity attributable to owners of the Company	**113,182**	112,517
Non-controlling interests	**(7,706)**	–
Total equity	**105,476**	112,517

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 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 reserve	–	–	707	(707)	–	–	–
At 31 December 2020 and at 1 January 2021	50,655	101,336	12,804	(52,278)	112,517	–	112,517
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	665	665	(14,240)	(13,575)
Acquisition of subsidiaries	–	–	–	–	–	4	4
Capital contribution from non-controlling interests	–	–	–	–	–	6,530	6,530
Transfer to statutory reserve	–	–	963	(963)	–	–	–
At 31 December 2021	50,655	101,336	13,767	(52,576)	113,182	(7,706)	105,476

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 H shares were 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 included 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 were measured at fair values at the end of each reporting period.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

In the current year, the Group has applied, for the first time, the following Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs (which include all the International Reporting Standards, International Accounting Standards ("**IAS**") and Interpretations) issued by the IASB which are effective for the Group's financial year beginning 1 January 2021:

Amendment to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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[4]
Amendments to IFRS 3	Reference to Conceptual Framework[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to IAS 8	Definition of Accounting Estimates[4]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
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]
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023

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

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relate to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. The application of amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates

The amendments to IAS 8 introduce the definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

Revenue comprised income from the trading of hardware and computer software, provision of smart city solutions and provision of e-commerce operation solution services during the year.

The Group's operating segments, based on information reported to the chief operating decision maker (the "**CODM**"), being the executive Directors, were 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 were as follows:

1. Provision of smart city solutions

2. Trading of hardware and computer software

3. Provision of e-commerce operation solution services

Discounted 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-commence operation solution services**		**Consolidated**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the year ended 31 December								
Segment revenue – external customers	**50,911**	42,245	**132,308**	120,025	**35,149**	75,360	**218,368**	237,630
Segment results	**9,653**	8,568	**5,906**	5,696	**(19,169)**	44	**(3,610)**	14,308
Unallocated other operating income, gains or losses							**1,076**	306
Unallocated expenses							**(10,115)**	(8,936)
(Loss) profit before tax (continuing operations)							**(12,649)**	5,678

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

Segment results represented the result from each segment without allocation of central administration costs, Directors' emoluments, certain finance costs and certain other operating income, net gains or losses. This was 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 operation solution services		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As at 31 December								
Segment assets	**55,208**	50,501	**28,138**	27,125	**14,924**	6,007	**98,270**	83,633
Unallocated assets							**77,200**	59,044
Total assets							**175,470**	142,677
Segment liabilities	**20,492**	18,789	**6,232**	9,392	**34,721**	1,952	**61,445**	30,133
Unallocated liabilities							**8,549**	27
Total liabilities							**69,994**	30,160

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

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

- all liabilities were allocated to reportable segments other than income tax payable and amount due to ultimate holding company.

4. OTHER OPERATING INCOME, NET GAINS OR LOSSES

Continuing operations

	2021	2020
	RMB'000	*RMB'000*
Government grant *(note)*	**1,844**	2,405
Foreign exchange losses, net	**(701)**	(1,070)
Bank interest income	**650**	516
Reversal of impairment loss of inventories	**80**	112
Impairment loss of trade receivables, net	**(987)**	(1,185)
Reversal of impairment loss (impairment loss) of other receivables, net	**25**	(45)
Gain on disposal of a subsidiary	**–**	420
Gain on deregistration of a subsidiary	**–**	1
Gain (loss) on termination of right-of-use assets	**471**	(3)
Write back of trade and other payables	**141**	–
Sundry income	**6**	3
	1,529	1,154

Note: Government grants received during the years ended 31 December 2021 and 2020 related to rebate of value-added tax and government subsidies. There were no unfulfilled conditions or contingencies relating to those grants.

5. INCOME TAX EXPENSES (CREDIT)

Continuing operations

	2021	2020
	RMB'000	*RMB'000*
Current tax expense		
PRC Enterprise Income Tax ("**EIT**")	**1,110**	120
Over provision in prior year	**–**	(122)
	1,110	(2)
Deferred tax	**(184)**	(239)
	926	(241)

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 2021 and 2020. One of the subsidiaries was subject to EIT at a rate of 15% for the years ended 31 December 2021 and 2020 as it was classified as a High and New Technology Enterprise (高新科技企業). One of the subsidiaries was subject to EIT at a rate of 2.5% for first RMB1 million of profits and 10% for above RMB1 million but below RMB3 million, as it was classified as a small and low profit enterprise (小型微利企業) during the year ended 31 December 2021.

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 2021 and 2020.

6. (LOSS) PROFIT FOR THE YEAR

Continuing operations

(Loss) profit for the year has been arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Salaries and other benefits	**39,931**	27,537
Contributions to retirement benefits scheme	**4,193**	1,754
Total staff costs (including Directors', chief executive's and supervisors' emoluments)	**44,124**	29,291
Auditors' remuneration	**639**	600
Depreciation of plant and equipment	**1,036**	281
Depreciation of right-of-use assets	**2,812**	1,037
Amortisation of intangible assets	**302**	300
Expense relating to short-term leases	**270**	412
Cost of inventories recognised as an expense	**150,543**	180,693

7. DISCONTINUED OPERATION

On 9 December 2020, the Company entered into a rights transfer agreement (the "**Lan Chuang 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), one of its subsidiaries, together with all benefits and title therein, at a consideration of RMB7,200,000 to an independent third party. The Lan Chuang Rights Transfer Agreement was completed on 14 December 2020 and the Group discontinued all its provision of telecommunication valued-added services since then.

The loss for the year ended 31 December 2020 from the discontinued operation was set out below.

	2020
	RMB'000
Loss of the discontinued operation	(1,050)

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

9. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share was based on profit for the year attributable to owners of the Company of approximately RMB665,000 (2020: RMB5,025,000) and approximately 506,546,000 (2020: 506,546,000) shares in issue during the year ended 31 December 2021.

Diluted earnings per share was the same as basic earnings per share for the years ended 31 December 2021 and 2020 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 attributable to owners of the Company was based on the following data:

Earnings figures were calculated as follows:

	2021	2020
	RMB'000	*RMB'000*
Profit for the year attributable to the owners of the Company	**665**	5,025
Add: loss for the year from discontinued operation	**–**	894
Earnings for the purpose of basic and diluted earnings per share for the year attributable to the owners of the Company from continuing operations	**665**	5,919

	2021	2020
	'000	*'000*
Number of shares		
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 for the discontinued operation was RMB0.18 cents per share in the year ended 31 December 2020, based on the loss for the year from discontinued operation of approximately RMB894,000 and the denominators detailed above for both basic and diluted loss per share.

10. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables at amortised cost	**61,445**	46,219
Less: allowance for impairment loss	**(3,768)**	(2,781)
	57,677	43,438

As at 31 December 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB61,445,000 (2020: RMB46,219,000).

There were no specific credit period granted to customers except for an average credit period of 30 – 90 days (2020: 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, was as follows:

	2021	2020
	RMB'000	*RMB'000*
0 to 60 days	**47,424**	32,603
61 to 90 days	**102**	713
91 to 180 days	**296**	43
Over 180 days	**9,855**	10,079
	57,677	43,438

The Group did not hold any collateral over its trade receivables. Based on past experience, management considered the unimpaired balances would be fully recoverable as relevant customers had a good track record and were of a good credit standing.

11. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**26,170**	15,988
Other tax payables	**4,147**	2,711
Accrued wages and salaries	**4,681**	2,233
Accrued expenses and other payables	**2,111**	1,296
Deposits received from promoters	**15,831**	–
	52,940	22,228

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

	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**22,817**	9,654
Over 1 year but less than 2 years	**1,938**	2,440
Over 2 years but less than 3 years	**832**	333
More than 3 years	**583**	3,561
	26,170	15,988

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

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

(i) Overview

Continuing operations

The Group has been 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 operation solution services (previously described as "the provision of e-commerce supply chain services". In order to further accurately describe and summarise the current business activities, the new business segment name was used. At present, this business segment did not only engage in the original/traditional e-commerce trade and provision of related services, but also engaged in community marketing services focused on cultivating in the year 2021 (which involved the development and integration of resources for the provision of reliable, high-quality and distinctive maternal, infant, and children product series and value-added services to community teams, mainly based on the self-developed Kiddol online platform)).

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

In line with industry performance, the Group's hardware and computer software sales and e-commerce trading normally had 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 would increase accordingly. On the other hand, the Group's provision of software development, technical support and various value-added services normally enjoyed relatively higher gross profit margin, which varied among different projects and/or products.

Discontinued operation

In previous years, the Group has 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 the year ended 31 December 2020 and concentrated the resources of the Group to better develop other businesses. Details of the discontinuation of the business were set out in the announcement of the Company dated 9 December 2020 and annual report of the Company for the year 2020 dated 19 March 2021.

(ii) Revenue

Continuing operations

For the year ended 31 December 2021, (i) the trading of hardware and computer software business generated revenue of approximately RMB132,308,000 (2020: RMB120,025,000), representing approximately 10.23% increase 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 last year; on the other hand, more orders from big customers were won during the year. As a result, the revenue for the year increased slightly year-on-year; (ii) the provision of smart city solutions business generated revenue of approximately RMB50,911,000 (2020: RMB42,245,000) representing approximately 20.51% increase when compared to last year. The business focused on construction project currently. 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 fluctuations 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; and (iii) the provision of e-commence operation solution services business generated revenue of approximately RMB35,149,000 (2020: RMB75,360,000), representing approximately 53.36% decrease when compared to last year. The customer concentration of the traditional provision of e-commerce supply chain services business was relatively high. Since the second half of the year 2020, the business volume continued to decline due to the business adjustment of the major customer. It is expected to cease business with this major customer. The Group has started the deployment in social e-commerce and successfully launched the provision of community marketing services for maternal, infant and children product series through the self-developed Kiddol platform in the fourth quarter of the year, which, however, have not yet generated significant revenue.

For the year ended 31 December 2021, the revenue of the Group from continuing operations was approximately RMB218,368,000 (2020: RMB237,630,000), representing a decrease of approximately RMB19,262,000, or approximately 8.11%, as compared with that of the year 2020.

(iii) Gross profit margin

Continuing operations

For the year ended 31 December 2021, (i) the gross profit margin of the trading of hardware and computer software business was approximately 7.76% (2020: 8.04%). The Group strived to continuously adjust the sales strategy and sales structure of this business, increasing the sales of brands and products with 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; (ii) the gross profit margin of the provision of smart city solutions business was approximately 56.46% (2020: 63.91%). 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; and (iii) the gross profit margin of the provision of e-commence operation solution services business was approximately 2.11% (2020: 5.07%). The provision of community marketing services cultivated by the Group was still in its infancy, the supply chain construction has not yet been complete, and the gross profit margin was relatively low due to profit-giving to customers in the early stage of the business, resulting in a decrease in the segment gross profit margin.

The gross profit margin of the Group from continuing operations for the year ended 31 December 2021 was approximately 18.21% (2020: 17.03%).

(iv) Profit (loss) attributable to owners of the Company

Continuing operations

For the year ended 31 December 2021, (i) the trading of hardware and computer software business reported segment profit of approximately RMB5,906,000 (2020: RMB5,696,000); (ii) the provision of smart city solutions business reported segment profit of approximately RMB9,653,000 (2020: RMB8,568,000); and (iii) the the provision of e-commerce operation solution services business reported segment loss of approximately RMB19,169,000 (2020: profit of RMB44,000). The sharp decline in the performance of this business segment was mainly due to, on the one hand, the Group has been cultivating community marketing services, investing significant costs in early deployment, and this new business line has just begun to generate revenue; on the other hand, the revenue from the traditional provision of e-commence supply chain services business had dropped significantly. For the year ended 31 December 2021, the net unallocated expenses of the Group from continuing operations were approximately RMB9,039,000 (2020: RMB8,630,000).

The loss for the year attributable to non-controlling interests from continuing operations amounted to approximately RMB14,240,000 (2020: Nil).

As a result of the cumulative effect of the principal factors described above, for the year ended 31 December 2021, the Group reported a net profit attributable to owners of the Company and earnings per share from continuing operations of approximately RMB665,000 (2020: RMB5,919,000) and RMB0.13 cents (2020: RMB1.17 cents), respectively.

Discontinued operation

For the year ended 31 December 2021, the Group has not reported any results attributable to owners of the Company from discontinued operation (2020: loss of RMB894,000).

Continuing and discontinued operations

For the year ended 31 December 2021, the Group reported a net profit attributable to owners and earnings per share from continuing and discontinued operations of approximately RMB665,000 (2020: RMB5,025,000) and RMB0.13 cents (2020: RMB0.99cents), respectively.

2. Impact of "Novel Pneumonia Coronavirus" epidemic

The outbreak of the "Novel Pneumonia Coronavirus" epidemic in early 2020 has not yet lifted its gloom and continued to pose a socio-economic challenge. Through the adoption of effective anti-epidemic measures, the PRC has been able to resume normal production and living conditions in all areas, with the exception of individual areas which have been affected by sporadic cases. Limited by the current epidemic prevention requirements, the supply chain activities of the Group's provision of e-commerce operation solution services business have been negatively affected and the national investment promotion activities for the new business have not been progressed as expected. The Group would pay close attention to and assess the trend of the epidemic and strive to overcome the impact of the epidemic, and, in addition to carrying out necessary epidemic prevention work, has been actively promoting each business sector in an orderly manner, seizing market development opportunities in the post-epidemic era, seeking business orders as well as business transformation breakthrough opportunities.

3. Business and product development

Continuing operations

During the reporting year, the Group (i) strengthened the prevention and control of inventory and receivable risks in the trading of hardware and computer software business, continued to adjust the sales strategy and sales structure to maintain its key customer base, increased the proportion of end customers sales revenue with higher gross profit margin, actively expanded the system integration service business, and fostered smart and safe campus projects 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, leveraged on external resources, strengthened internal coordination, gave full play to the advantages of "digital anti-epidemic (數字抗疫)", seized market opportunities such as the domestic promotion of "digital governance (數字治理)", "digital reform (數字化改革)" in Zhejiang Province and the upgrade of the national third-generation social security cards, and kept on providing 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. During the year, in addition to the development and delivery of projects for existing customers in Zhejiang Province, the business also successfully developed customers in Lishui City and Quzhou City, achieving full coverage of customers at all city levels in Zhejiang Province. At the same time, the business followed the idea of leveraging development with a focus on collaborative innovation to work with strategic partners to jointly promote market expansion outside the province, successively securing project development orders in Changzhou City, Hebei Province and Baoshan City, Yunnan Province. With the development of new technologies such as AIoT and big data, the business vigorously innovated to provide new smart city solutions services and new solution services for other sub-segments (such as smart trade union, smart community, smart housekeeping and digital village, etc.) based on the city brain (城市數據大腦). Among them, new applications such as the smart trade union and digital intelligence group (數智群團) were recognised by customers in Zhejiang Province, with contracts amounting to several million RMB signed during the year; and (iii) adjusted its development ideas in a timely manner to maintain its existing businesses while leveraging on its accumulated resources and experience to bring in a team of partners for the provision of e-commerce operation solution services business under the dual influence of the epidemic and the integration of domestic cross-border e-commerce platforms. Focusing on Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) ("**Dianshi Technology**"), a subsidiary established at the end of the year 2020, the business has built a new retail business incubation platform which targeted on the infant and children consumer group, to foster the development of maternal and infant community marketing services business. During the year, through the tireless efforts of the team, the self-developed Kiddol and Addol APP and applets were launched at the end of the third quarter of the reporting year, and the social e-commerce platform was officially launched for operation in the fourth quarter immediately afterwards. The community marketing business has taken shape with a team of over 100 people across eight functional departments, and a supply chain company has been formed to gradually strengthen the supply chain channel and has tens of thousands of users and members.

4. Investments and cooperation

(i) Business investments and cooperation

On 25 January 2021, Dianshi Technology, the Company's 41% owned subsidiary, entered into an investment cooperation framework agreement with Mr. Xie Zhizong (謝志宗) ("**Mr. Xie**"), an independent third party, pursuant to which the afore-mentioned two parties agreed to form Hangzhou Mengya Technology Co., Ltd.* (杭州萌呀科技有限公司) (formerly known as Hangzhou Finmei Network Technology Co., Ltd.* (杭州芬美網絡科技有限公司)) ("**Mengya Technology**") through acquisition and subsequent capital injection with a total registered capital of RMB1,000,000 in Hangzhou City, Zhejiang Province, the PRC. Each of Dianshi Technology and Mr. Xie agreed to contribute to the total registered capital of Mengya Technology at RMB670,000 and RMB330,000, respectively. Mengya Technology would mainly use e-commerce channels to carry out brand agency and sales of pet food and supplies, as a useful supplement to community marketing services. Mengya Technology's industrial and commercial registration change was completed on 4 March 2021, and it was accounted for as a subsidiary of the Company and its financial statements were incorporated in the consolidated financial statements of the Group.

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 "**Guifutong 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 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 Guifutong Equity Transfer Agreement and disposal of 33% equity interests in Guifutong were set out in the announcement of the Company dated 15 March 2021 and annual report of the Company for the year 2020 dated 19 March 2021. The Guifutong Equity Transfer Agreement was completed on 28 April 2021, and the Group no longer held any equity interests in Guifutong, which ceased to be an associate of the Group.

On 20 April 2021, Dianshi Technology, the Company's 41% owned subsidiary, entered into an investment cooperation framework agreement (the "**Full Fun Technology Investment Cooperation Framework Agreement**") with 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**"), which held 18% interests in Dianshi Technology, pursuant to which the afore-mentioned two parties agreed to establish Zhejiang Full Fun Technology Co., Ltd. * (浙江滿趣科技有限公司) ("**Full Fun Technology**") with a registered capital of RMB10,000,000 in Huzhou City, Zhejiang Province, the PRC. Each of Dianshi Technology and Fun and Culture Creativity Partnership agreed to contribute to the registered capital of Full Fun Technology at RMB7,000,000 and RMB3,000,000, respectively. Full Fun Technology would be principally engaged in community marketing services platform operation business, providing community marketing services related mainly to maternal and infant food and supplies, children's clothing and children's footwear products. According to GEM Listing Rule 20.08, Fun and Culture Creativity Partnership was a substantial shareholder of an insignificant subsidiary of the Company and was not regarded as a connected person of the Company, and hence the entering into of the Full Fun Technology Investment Cooperation Framework Agreement and establishment of Full Fun Technology did not constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Details of the Full Fun Technology Investment Cooperation Framework Agreement and establishment of Full Fun Technology were set out in the announcement of the Company dated 20 April 2021. Full Fun Technology was established on 23 April 2021, and it was accounted for as a subsidiary of the Company and its financial statements were incorporated in the consolidated financial statements of the Group.

On 2 August 2021, Dianshi Technology, the Company's 41% owned subsidiary, signed an equity transfer agreement (the "**Full Fun Supply Chain Equity Transfer Agreement**") with Ms. Yuan Xiuli (袁秀麗) ("**Ms. Yuan**"), who held 66.67% equity interests in Fun and Culture Creativity Partnership and was a connected person at the subsidiary level of the Company, pursuant to which Dianshi Technology acquired 100% equity interests of Hangzhou Full Fun Technology Supply Chain Management Co., Ltd. * (杭州滿趣供應鏈管理有限公司) ("**Full Fun Supply Chain**") from Ms. Yuan at zero consideration. Full Fun Supply Chain was established in November 2020 with a registered capital of RMB1,000,000 and the paid-in capital was zero. Full Fun Supply Chain would be mainly engaged in the development and management of supply chain channels and has accumulated certain relevant supply chain achievements, which would help to provide more high-quality commodity supply for the community marketing services under cultivation. As at 30 June 2021, the unaudited total assets and net liabilities of Full Fun Supply Chain were approximately RMB41,000 and RMB377,000, respectively. According to GEM Listing Rule 20.74(1), the signing of the Full Fun Supply Chain Equity Transfer Agreement and acquisition of Full Fun Supply Chain constituted a fully exempted connected transaction of the Company. Full Fun Supply Chain's industrial and commercial registration change was completed on 16 August 2021, and it was accounted for as a subsidiary of the Company and its financial statements were incorporated in the consolidated financial statements of the Group.

On 13 December 2021, Dianshi Technology, the Company's 41% owned subsidiary, entered into a cooperation framework agreement (the "**Muye Brand Management Cooperation Framework Agreement**") with Guangdong Junrui Industrial Co., Ltd.* (廣東君瑞實業有限公司) ("**Junrui Industrial**") and Ningbo Meishan Free Trade Port Zone Xuanying Yunhao Investment Management Partnership LP* (寧波梅山保稅港區宣映雲浩投資管理合夥企業(有限合夥)) ("**Xuanying Yunhao Partnership**"), pursuant to which the afore-mentioned three parties have agreed to establish Hangzhou Muye Brand Management Co., Ltd.* (杭州沐野品牌管理有限公司) ("**Muye Brand Management**") with a registered capital of RMB10,000,000 in Hangzhou City, Zhejiang Province, the PRC. Each of Dianshi Technology, Junrui Industrial and Xuanying Yunhao Partnership agreed to contribute to the registered capital of Muye Brand Management at RMB4,600,000, RMB5,100,000 and RMB300,000, respectively. Muye Brand Management would be principally engaged in the management and operation of children's clothing brands, including the establishment, incubation, agency and acquisition of brands, and provision of related supply chain finance and services from product planning and category planning to production, storage, delivery and sales channel promotion. Details of the Muye Brand Management Cooperation Framework Agreement and establishment of Muye Brand Management were set out in the announcements of the Company dated 13 December 2021 and 5 January 2022. Muye Brand Management was established on 27 December 2021, and it was accounted for as 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 has been no substantial progress up to present.

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, etc.). The expected annualised rate of return of the BOC Wealth Management Products was around 2.25% to 2.95% (2020: 2.40% to 2.80%), 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 highly liquid assets such as various bonds, deposits, money market financial instruments, 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 2.57% to 3.65% (2020: 2.94% to 3.18%), 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.

During the year ended 31 December 2021, there were no subscriptions and/or redemptions of the Wealth Management Products that constituted notifiable transactions of the Company under Chapter 19 of the GEM Listing Rules. 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.

As at 31 December 2021, 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 RMB27,611,000 (2020: RMB25,500,000) and represented approximately 15.74% (2020: 17.87%) of its total assets. For the year ended 31 December 2021, the gain realised by the Group from the Wealth Management Products amounted to approximately RMB584,000 (2020: RMB491,000).

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 would 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 were set out in the notes to the consolidated financial statements.

6. Employees information

As at 31 December 2021, the Group had approximately 263 (2020: 152) employees in total. The total staff costs of the Group for the continuing operations for the reporting year amounted to approximately RMB44,124,000 (2020: RMB29,291,000). During the reporting year, there was significant increase in the total number of employees and total staff costs, which was mainly attributable to the Group 's recruitment of necessary talents from the market for the formation of a team in order to cultivate and develop community marketing services in the business of provision of e-commerce operation solution services.

The Group's human resources management strategy was formulated in accordance with the Group's development strategy as guideline on the one hand and with the goals stipulated in the long-term vision planning as direction on the other. At the same time, incentive scheme has been linked with other human resources management programs and promoted each other. The Group opened wide for recruitment channels, set up mechanisms for attracting talents, grasped for the development of talent usability and formulated a good system in people deployment and incubation. The Group implemented target annual income system which linked up staff performance appraisal with compensation system. Target annual income was fixed and released in accordance with performance appraisal results. 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 have issued any staff share options or had any bonus plan.

7. Environment protection

The Group's business did not involve any direct natural resource emissions and environmental pollution. The key environmental impacts from the Group's operations mainly related to energy and paper consumption. To achieve environment protection, the Group encouraged its employees to reduce electricity, paper 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 electricity, paper 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 2021, the Group's revenue from continuing operations amounted to approximately RMB218,368,000 (2020: RMB237,630,000).

- For the year ended 31 December 2021, the Group achieved a profit margin from continuing operations of approximately 18.21% (2020: 17.03%).

- For the year ended 31 December 2021, the Group achieved a net profit attributable to owners of the Company from continuing operations of approximately RMB665,000 (2020: RMB5,919,000).

- For the year ended 31 December 2021, the Group did not record any results attributable to owners of the Company from discontinued operation (2020: loss of RMB894,000).

- For the year ended 31 December 2021, the Group achieved a net profit attributable to owners of the Company from continuing and discontinued operations of approximately RMB665,000 (2020: RMB5,025,000).

- For the year ended 31 December 2021, the Group recorded earnings per share from continuing operations of approximately RMB0.13 cents (2020: RMB1.17 cents).

- For the year ended 31 December 2021, the Group recorded earnings per share from continuing and discontinued operations of approximately RMB0.13 cents (2020: RMB0.99 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2021, the Group was mainly financed by proceeds generated from daily operations, other internal resources and borrowings.

- As at 31 December 2021, the Group had plant and equipment of approximately RMB5,493,000 (2020: RMB514,000). The significant increase in the Group's plant and equipment during the reporting year was mainly attributable to the additions of leasehold improvements, office furniture and equipment due to relocation of office premises and establishment of new offices for the development of new community marketing services business.

- As at 31 December 2021, the Group had right-of-use assets of approximately RMB8,153,000 (2020: RMB3,286,000). The significant increase in the Group's right-of-use assets during the reporting year was mainly attributable to new leases of office for relocation of office premises and establishment of new offices for the development of new community marketing services business.

- As at 31 December 2021, the Group did not have balance of interest in an associate (2020: RMB6,759,000). As described above, the Group had disposed of its entire interests in Guifutong during the year; on the other hand, the Group has not made capital injection into Muye Brand Management yet as of 31 December 2021, which was established on 27 December 2021 as described above.

- As at 31 December 2021, the Group had goodwill of approximately RMB2,272,000 (2020: RMB1,856,000). The increase in the Group's goodwill during the reporting year was resulted from the acquisition of subsidiaries.

- As at 31 December 2021, the Group had inventories of approximately RMB11,179,000 (2020: RMB8,642,000). The increase in the Group's inventories during the reporting year was mainly attributable to the increase in finished goods held for resale under the hardware and computer software segment and the provision of e-commerce operation solution services business segment.

- As at 31 December 2021, the Group had trade receivables of approximately RMB57,677,000 (2020: RMB43,438,000). The increase in the Group's trade receivables during the reporting year was mainly attributable to the increase in trade receivables under the provision of smart city solutions business segment.

- As at 31 December 2021, the Group had contract assets of approximately RMB9,826,000 (2020: RMB12,307,000). The decrease in the Group's contract assets during the reporting year was mainly attributable to the decrease in contract assets recognised under the provision of smart city solutions business segment.

- As at 31 December 2021, 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 RMB69,423,000 (2020: RMB53,753,000). 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 2021 were approximately 39.56% (2020: 37.67%) and 65.82% (2020: 47.77%), respectively. During the year, the Group added new borrowings to prepare for the increase of working capital for the Group's operations. Therefore, the total bank balances and cash and financial assets at fair value through profit or loss and the above-mentioned related ratios have increased.

- As at 31 December 2021, the Group had trade and other payables of approximately RMB52,940,000 (2020: RMB22,228,000). The trade and other payables increased significantly during the year. The main reason was the new trade payables due to suppliers in the community marketing services business, and the significant increase in the deposits received by this business from the promoters.

- As at 31 December 2021, the Group had contract liabilities of approximately RMB415,000 (2020: RMB4,864,000). The significant decrease in the Group's contract liabilities during the reporting year was mainly attributable to the significant decreases in advance payments from customers for purchases in respect of the trading of hardware and computer software business segment and for service in respect of the provision of smart city solutions business segment.

- As at 31 December 2021, the Group had amount due to ultimate holding company of RMB8,000,000 (2020: Nil), which represented new borrowings raised by the Group to prepare for the increase of working capital for its operations.

- As at 31 December 2021, the Group had total lease liabilities of approximately RMB8,090,000 (2020: RMB3,041,000). The significant increase in the Group's total lease liabilities during the reporting year was mainly attributable to the new leases of office for relocation of office premises and establishment of new offices for the development of new community marketing services business.

- As at 31 December 2021, the Group had total assets of approximately RMB175,470,000 (2020: RMB142,677,000).

- As at 31 December 2021, the Group had total liabilities of approximately RMB69,994,000 (2020: RMB30,160,000).

- As at 31 December 2021, the Group had current assets of approximately RMB158,154,000 (2020: RMB128,199,000).

- As at 31 December 2021, the Group had current liabilities of approximately RMB65,283,000 (2020: RMB29,312,000).

- As at 31 December 2021, the Group had equity attributable to owners of the Company of approximately RMB113,182,000 (2020: RMB112,517,000).

- As at 31 December 2021, the Group had debit balance on non-controlling interests of approximately RMB7,706,000 (2020: Nil).

- As at 31 December 2021, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 39.89% (2020: 21.14%).

- As at 31 December 2021, the Group had a current ratio (i.e. the ratio of current assets to current liabilities) of approximately 2.42 (2020: 4.37).

- The Group's exposure to foreign currency risk related principally to its bank balances, trade receivables, other receivables 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 was set out in the notes to the consolidated financial statements.

- As at 31 December 2021, none of the Group's assets were pledged (2020: Nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the year ended 31 December 2021 (2020: 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 2021 and 2010.

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) (the "**Plaintiff**") 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**"). Details of the Litigation were set out in the announcement of the Company dated 9 March 2021 and annual report of the Company for the year 2020 dated 19 March 2021.

The case was heard on 15 April 2021. During the trial, following the elucidation by the judge, the Plaintiff clearly agreed that the Defendants had not committed joint infringements and that the Defendants were not related with each other, and agreed to withdraw the lawsuit against the Company and two of the other defendants, and only sued the remaining fourth defendant. The Plaintiff immediately submitted an application to withdraw the lawsuit against the Company and the other two defendants, which was accepted and approved by the court (an oral ruling was made in the court, and no separate written ruling would be issued). The trial of the Litigation was over and the Company did not need to bear any compensation liability for the Litigation.

EVENTS AFTER THE REPORTING PERIOD

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. On the basis of external sales of computer storage servers and other products and services, it ventured into system integration services in the field of security, including the promotion of smart and safe campus services to the regions surrounding Zhejiang Province, such as Anhui Province and Jiangsu Province (development agreements have been reached with six schools, two of which have been implemented on a pilot basis), striving to increase the revenue share from system integration services contracts as part of its effort to gradually improve the business income structure and profitability. The Group's provision of 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, explored customer needs, 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 procured by way of strategic cooperation, laying a good foundation for the subsequent continuous generation of new contracts and orders. The Group's provision of e-commerce operation solution services business will continue to contract its traditional cross-border e-commerce supply chain services and focus on the development of community marketing services in line with its set strategic objectives of transformation. During the year, the new business has successfully started operation, and the self-developed and operated Kiddol platform has been launched, which has basically achieved the expected operational results. The Group will continue to strengthen the construction and promotion of the platform, expand the integration of supply channel resources, and discover high-quality products, for the provision of high-quality community marketing services and products for downstream B-end and C-end customers.

2. Prospects of new business and new products

The Group will continue to promote business transformation and development. During the reporting year, business restructuring has achieved obvious results and the direction of business development was becoming clearer, taking a big step forward in creating a business ecology that was in line with the Group's development. The Group will continue to seek new business opportunities by combining its existing business and technological strengths, leveraging the innovative capabilities of its three major business segments, collaborating with other businesses and integrating resources to develop new businesses or new product innovations, and striving to build a sustainable business ecology.

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 perfect digital information services possessing "information release, information collection, traceability and behaviour management", provide better solutions for the advancement and 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 strengthen the development of operation services. Firstly, the Group will accelerate the key cultivation of the provision of e-commerce operation solution services business in community marketing services. While maintaining the current positive momentum, it will also accelerate the deepening construction of the platform, build a social e-commerce lever product experience, focus on strengthening the platform supply chain foundation, and strengthen cooperation with brands so as to establish differentiated brand channels and create exclusive pop-ups by increasing product richness and optimising product structure logic. At the same time, the Group will promote the optimisation and integration of its team and improve its internal processes and internal control mechanisms with a view to achieving an effective breakthrough in its transformation. Secondly, 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, 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)" in the future and maximise business value. Thirdly, the Group will encourage the provision of e-commerce operation solution services business to use its accumulated private domain traffic operation service experience to provide operation service support to platform customers of the smart city solutions business, provide high-quality goods and services and achieve coordinated development and resources complementation.

Further, in addition to the above new initiatives, the Group will actively pursue the transformation and development of other business sectors, such as guiding 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 market development of the provision of smart city solutions business, and encouraging its useful exploration in other product sales services. Especially, in terms of the smart and safe campus services, the Group will use existing contracts of school projects as a model to accumulate experience and speed up the expansion of necessary teams for the domestic market layout in Anhui, Jiangsu, Fujian and other provinces, and strive to become a breakthrough in the transformation of this business.

In order to achieve the "Fourteenth Five-Year" development strategy goals, the Group has actively and steadily advanced related work in accordance with the above plan, established relevant departments or companies, introduced talents to build business teams and set up related management mechanism. The Board is well aware that the transformation and development of the Group will not be achieved overnight. In the process of transformation and development, there are many uncertainties, and there will inevitably be a period of development pains. However, the Board believes that the Group would seize the opportunity and, through adoption of effective measures and with the transformation breakthrough and coordinated development of each business sector, achieve effective coverage from technology to service, from product to platform, from offline to online, and from B end to C end in the future, and build a business ecosystem with its own characteristics. The Group's sustainable profitability in the mobile Internet service sector will be formed which will create more business value for the Shareholders and community.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2021 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 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited ("**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 2021 (2020: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2021, the Company complied, in all material aspects, with all code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

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

Hangzhou City, the PRC, 21 March 2022

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*