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 2022

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 (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 RMB135,024,000 for the year ended 31 December 2022, representing a decrease of approximately 34.47% as compared with the revenue from continuing operations for the year 2021.
- Incurred a net loss attributable to owners of the Company from continuing operations of approximately RMB19,005,000 for the year ended 31 December 2022, as compared with the net profit attributable to owners of the Company from continuing operations of approximately RMB7,548,000 (restated) achieved for the year 2021.
- Achieved a net profit attributable to owners of the Company from discontinued operation of approximately RMB2,837,000 for the year ended 31 December 2022, as compared with the net loss attributable to owners of the Company from discontinued operation of approximately RMB6,883,000 (restated) incurred for the year 2021.
- Incurred a net loss attributable to owners of the Company from continuing and discontinued operations of approximately RMB16,168,000 for the year ended 31 December 2022, as compared with the net profit attributable to owners of the Company from continuing and discontinued operations of approximately RMB665,000 achieved for the year 2021.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

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 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
Continuing operations			
Revenue	*3*	**135,024**	206,049
Cost of sales		**(119,277)**	(165,522)
Gross profit		**15,747**	40,527
Other operating (expenses) income, net gains or losses	*4*	**(1,443)**	1,477
Distribution and selling expenses		**(6,018)**	(5,749)
General and administrative expenses		**(17,329)**	(19,520)
Research and development expenditure		**(9,833)**	(8,647)
Share of result of an associate		**–**	92
Gain on disposal of investment in an associate		**–**	367
Finance costs		**(301)**	(73)
(Loss) profit before tax		**(19,177)**	8,474
Income tax credit (expenses)	*5*	**172**	(926)
(Loss) profit and total comprehensive (expense) income for the year from continuing operations	*6*	**(19,005)**	7,548
Discontinued operation	*7*		
Loss for the year from discontinued operation		**(16,581)**	(21,123)
Loss and total comprehensive expense for the year		**(35,586)**	(13,575)

	Note	2022 RMB'000	2021 RMB'000 (Restated)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company			
– from continuing operations		**(19,005)**	7,548
– from discontinued operation		**2,837**	(6,883)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		**(16,168)**	665
Loss and total comprehensive expense for the year attributable to non-controlling interests			
– from continuing operations		**–**	–
– from discontinued operation		**(19,418)**	(14,240)
Loss and total comprehensive expense for the year attributable to non-controlling interests		**(19,418)**	(14,240)
		(35,586)	(13,575)
(Loss) earnings per share	*9*		
From continuing and discontinued operations			
Basic and diluted *(RMB)*		**(3.19) cents**	0.13 cents
From continuing operations			
Basic and diluted *(RMB)*		**(3.75) cents**	1.49 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Non-current assets			
Plant and equipment		**3,032**	5,493
Right-of-use assets		**–**	8,153
Intangible assets		**25**	342
Interest in an associate		**–**	–
Deferred tax assets		**934**	771
Goodwill		**1,856**	2,272
Loan receivable		**6,849**	–
Other receivables		**–**	285
		12,696	17,316
Current assets			
Inventories		**7,295**	11,179
Trade receivables	*10*	**53,966**	57,677
Prepayments and other receivables		**4,753**	10,049
Contract assets		**4,551**	9,826
Financial assets at fair value through profit or loss		**18,035**	27,611
Bank balances and cash		**23,022**	41,812
		111,622	158,154
Current liabilities			
Trade and other payables	*11*	**16,661**	52,940
Contract liabilities		**643**	415
Income tax payable		**–**	549
Lease liabilities		**–**	3,379
Amount due to ultimate holding company		**–**	8,000
Bank borrowings		**10,000**	–
		27,304	65,283
Net current assets		**84,318**	92,871
Total assets less current liabilities		**97,014**	110,187

	2022	2021
	RMB'000	*RMB'000*
Non-current liability		
Lease liabilities	**–**	4,711
	97,014	105,476
Capital and reserves		
Paid-in capital	**50,655**	50,655
Reserves	**46,359**	62,527
Equity attributable to owners of the Company	**97,014**	113,182
Non-controlling interests	**–**	(7,706)
Total equity	**97,014**	105,476

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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 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 and at 1 January 2022	**50,655**	**101,336**	**13,767**	**(52,576)**	**113,182**	**(7,706)**	**105,476**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(16,168)**	**(16,168)**	**(19,418)**	**(35,586)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**27,124**	**27,124**
At 31 December 2022	**50,655**	**101,336**	**13,767**	**(68,744)**	**97,014**	**–**	**97,014**

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 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 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 are 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 Reference to the Conceptual Framework in IFRSs and the following amendments to IFRSs (which included International Accounting Standards ("**IAS**") and Interpretations) issued by the IASB which were effective for the Group's financial year beginning 1 January 2022:

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle

The application of the Amendments to Reference 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 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined

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 relates 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 define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

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.

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

Revenue comprised income from 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

Discontinued operation

An operation regarding the provision of self-developed e-commerce platform services, which was included in the segment of provision of e-commerce operation solution services, was discontinued during the year ended 31 December 2022. The segment information reported in this note did not include any amounts for this discontinued operation, which was described in more details in the notes to the consolidated financial statements.

(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 operation solution services		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
						(Restated)		(Restated)
For the year ended 31 December								
Segment revenue – external customers	**21,445**	50,911	**113,147**	132,308	**432**	22,830	**135,024**	206,049
Segment results	**(10,886)**	9,653	**1,712**	5,906	**(536)**	191	**(9,710)**	15,750
Unallocated other operating (expenses) income, net gains or losses							**(2,125)**	1,024
Unallocated expenses							**(7,342)**	(8,300)
(Loss) profit before tax (continuing operations)							**(19,177)**	8,474

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 and certain other operating (expenses) 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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
						(Restated)		(Restated)
As at 31 December								
Segment assets	**46,864**	55,208	**23,255**	28,138	**2**	902	**70,121**	84,248
Assets relating to discontinued operation							**–**	42,836
Unallocated assets							**54,197**	48,386
Total assets							**124,318**	175,470
Segment liabilities	**9,340**	20,492	**17,559**	6,232	**405**	415	**27,304**	27,139
Liabilities relating to discontinued operation							**–**	42,325
Unallocated liabilities							**–**	530
Total liabilities							**27,304**	69,994

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, loan receivable 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 (EXPENSES) INCOME, NET GAINS OR LOSSES

Continuing operations

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Government grants *(note)*	**2,635**	1,841
Foreign exchange gain (losses), net	**764**	(701)
Bank interest income	**472**	601
Reversal of impairment loss of inventories	**40**	80
Impairment loss of trade receivables	**(1,285)**	(987)
Impairment loss of loan receivable	**(4,151)**	–
(Impairment loss) reversal of impairment loss of other receivables, net	**(32)**	25
Loan interest income	**114**	–
Gain on termination of right-of-use assets	**–**	471
Write back of trade and other payables	**–**	141
Sundry income	**–**	6
	(1,443)	1,477

Note: Government grants received during the years ended 31 December 2022 and 2021 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

	2022	2021
	RMB'000	*RMB'000*
Current tax expense		
PRC Enterprise Income Tax ("**EIT**")	**29**	1,110
Over provision in prior year	**(38)**	–
	(9)	1,110
Deferred tax	**(163)**	(184)
	(172)	926

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 2022 and 2021. One of the subsidiaries was subject to EIT at a rate of 15% for the years ended 31 December 2022 and 2021 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 of profits, as it was classified as a Small and Low Profit Enterprise* (小型微利企業) during the year ended 31 December 2022.

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 2022 and 2021.

6. (LOSS) PROFIT FOR THE YEAR

Continuing operations

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Salaries and other benefits	**26,950**	28,622
Contributions to retirement benefits scheme	**3,421**	3,281
Total staff costs (including Directors', chief executive's and supervisors' emoluments)	**30,371**	31,903
Auditors' remuneration	**748**	639
Depreciation of plant and equipment	**815**	894
Depreciation of right-of-use assets	**1,484**	1,543
Amortisation of intangible assets	**317**	302
Expense relating to short-term leases	**240**	270
Cost of inventories recognised as an expense	**105,324**	143,358

7. DISCONTINUED OPERATION

On 6 September 2022, the Company entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which the Company agreed to dispose of its entire 41% equity interests in Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) ("**Zhejiang Dianshi**"), including its subsidiaries, together with all benefits and title therein, at the consideration of RMB1.00 to an independent third party (the "**Disposal**"). The completion (the "**Completion**") of the Disposal took place on 10 October 2022 and the details of the Disposal were set out in the sub-section headed "Investment and Cooperation" under the section headed "Management Discussion and Analysis" below.

Following the Completion, the Group discontinued its provision of self-developed e-commerce platform services.

The loss for the year from the discontinued operation was set out below.

	2022	2021
	RMB'000	*RMB'000*
Loss of the discontinued operation for the year	**(28,162)**	(21,123)
Gain on disposal of subsidiaries	**11,581**	–
	(16,581)	(21,123)

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share was based on loss for the year attributable to owners of the Company of approximately RMB16,168,000 (2021: profit of RMB665,000) and approximately 506,546,000 (2021: 506,546,000) shares in issue during the year ended 31 December 2022.

Diluted loss / earnings per share was the same as basic loss / earnings per share for the years ended 31 December 2022 and 2021 as there were no potential ordinary shares existed during both years.

From continuing operations

The calculations of the basic and diluted loss / earnings per share from continuing operations attributable to the owners of the Company was based on the following data:

Loss / earnings figures were calculated as follows:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
(Loss) profit for the year attributable to the owners of the Company	**(16,168)**	665
Add: (profit) loss for the year from discontinued operation	**(2,837)**	6,883
(Loss) earnings for the purpose of basic and diluted loss / earnings per share for the year attributable to the owners of the Company from continuing operations	**(19,005)**	7,548

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss / earnings per share	**506,546**	506,546

From discontinued operation

Basic and diluted earnings per share for the discontinued operation was approximately RMB0.56 cents (2021: loss of RMB1.36 cents (restated)) for the year ended 31 December 2022, and the calculations of which were based on the profit for the year from discontinued operation of approximately RMB2,837,000 (2021: loss of RMB6,883,000 (restated)), and the denominators detailed above for both basic and diluted loss/earnings per share.

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables at amortised cost	**59,019**	61,445
Less: allowance for impairment loss	**(5,053)**	(3,768)
	53,966	57,677

As at 31 December 2022, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB59,019,000 (2021: RMB61,445,000).

There were no specific credit period granted to customers except for an average credit period of 30 – 90 days (2021: 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:

	2022	2021
	RMB'000	*RMB'000*
0 to 90 days	**27,187**	47,526
91 to 180 days	**691**	296
Over 180 days	**26,088**	9,855
	53,966	57,677

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

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**12,083**	26,170
Other tax payables	**1,116**	4,147
Accrued wages and salaries	**2,035**	4,681
Accrued expenses and other payables	**1,427**	2,111
Deposits received from promoters	**–**	15,831
	16,661	52,940

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

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**10,609**	22,817
Over 1 year but less than 2 years	**703**	1,938
Over 2 years but less than 3 years	**509**	832
More than 3 years	**262**	583
	12,083	26,170

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 2022 (2021: 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 (this business segment has been engaged in, amongst others, the provision of maternal and infant community marketing services business through Zhejiang Dianshi. Upon the Completion (as described in details below), the Group has ceased this business during the reporting year and will continue to seek new business opportunities in this business segment.).

There were no particular seasonal fluctuations 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 occurred 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 amounts of orders obtained and progress of projects and, therefore, there would be fluctuations.

In line with industry performance, the Group's hardware and computer software sales and e-commerce trading normally had relatively low gross profit margins. With the continuous optimisation of product structure and sales strategies and the improvement of service levels, the gross profit margins 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 margins, which varied among different projects and/or products.

Discontinued operation

Since the end of the third quarter of the year ended 31 December 2021, the Group has been engaged in the provision of maternal and infant community marketing services business, providing self-developed e-commerce platform services, as one of the channels to promoting the development of mobile Internet services. However, the performance of this new business could not meet the initial expectation of the Group. The Group has ceased this business in the fourth quarter of the reporting year through the Disposal and continue to seek alternative paths for the Group's business transformation and development. Details of the Disposal and termination of the business were set out in the sub-section headed "Investment and Cooperation" under this section below.

(ii) Revenue

Continuing operations

For the year ended 31 December 2022, (i) the trading of hardware and computer software business generated revenue of approximately RMB113,147,000 (2021: RMB132,308,000), representing approximately 14.48% decrease when compared to last year. At present, the business has a high customer concentration, and the fluctuation of large customer orders has a great impact on business revenue; (ii) the provision of smart city solutions business generated revenue of approximately RMB21,445,000 (2021: RMB50,911,000), representing approximately 57.88% decrease when compared to last year. The business focused on construction projects 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. In addition, during the year, due to the impact of the "Novel Pneumonia Coronavirus" epidemic, the progress of project market development, project development and acceptance of the business could not be progressed normally, the business revenue decreased significantly year-on-year; and (iii) the provision of e-commerce operation solution services business generated revenue of approximately RMB432,000 (2021: RMB22,830,000 (restated)), representing approximately 98.11% decrease when compared to last year. The revenue achieved for the year comprised income from the original traditional provision of e-commerce supply chain services business. The customer concentration of the business was relatively high. The Group has gradually scaled down since last year and has ceased the business with the major customer due to the business adjustment of the customer and has suspended the operation of this original traditional business. The Group will continue to seek new business opportunities in the provision of e-commerce operation solution services business sector which could generate revenue for the Group.

For the year ended 31 December 2022, the revenue of the Group from continuing operations was approximately RMB135,024,000 (2021: RMB206,049,000 (restated)), representing a decrease of approximately RMB71,025,000, or approximately 34.47%, as compared with that of the year 2021.

(iii) Gross profit margin

Continuing operations

For the year ended 31 December 2022, (i) the gross profit margin of the trading of hardware and computer software business was approximately 7.30% (2021: 7.76%). 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 margins, while decreasing the sales of brands and products with low gross profit margins; (ii) the gross profit margin of the provision of smart city solutions business was approximately 34.94% (2021: 56.46%). The gross profit margin of the 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, during the year, the revenue of the business has dropped significantly, as the main cost of the business is fixed labour costs, the decline in revenue also caused a year-on-year decrease in the gross profit margin of the business; and (iii) the gross loss margin of the provision of e-commerce operation solution services business was approximately 0.16% (2021: gross profit margin of 6.61% (restated)). The gross loss generated for the year comprised gross loss from the original traditional provision of e-commerce supply chain services business. As mentioned above, the Group has suspended the operation of this original traditional business. During the year, the business reduced the gross profit margin to clear the inventories and resulted in a gross loss of the business.

The gross profit margin of the Group from continuing operations for the year ended 31 December 2022 was approximately 11.66% (2021: 19.67% (restated)). In the reporting year, due to the significant decline in the proportion of revenue from the provision of smart city solutions business with high gross profit margin, the overall gross profit margin of the Group decreased year-on-year.

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

For the year ended 31 December 2022, (i) the trading of hardware and computer software business reported segment profit of approximately RMB1,712,000 (2021: RMB5,906,000). The revenue and gross profit of the business segment for the reporting year has decreased year-on-year. At the same time, the business segment continued to invest labour costs and related equipment in business development during the year, resulting in a conspicuous year-on-year decline in the segment profit; (ii) the provision of smart city solutions business reported segment loss of approximately RMB10,886,000 (2021: profit of RMB9,653,000). During the year, due to the impact of the "Novel Pneumonia Coronavirus" epidemic, the project market development, project development and acceptance of the business could not be progressed normally, the business revenue decreased significantly year-on-year, and the main cost of the business was fixed labour costs, resulting in a substantial segment loss occurred in the reporting year; and (iii) the provision of e-commerce operation solution services business reported segment loss of approximately RMB536,000 (2021: profit of RMB191,000 (restated)). The segment loss recorded for the year comprised mainly loss from the original traditional provision of e-commerce supply chain services business. As mentioned above, the Group has suspended the operation of this original traditional business.

For the year ended 31 December 2022, the net unallocated expenses of the Group were approximately RMB9,467,000 (2021: RMB7,276,000 (restated)), which included an impairment loss of loan receivable of approximately RMB4,151,000 (2021: nil). The loan receivable represented a loan advanced by the Group to Zhejiang Dianshi, its former subsidiary, with a gross amount of RMB11,000,000. The loan was granted previously by the Group to Zhejiang Dianshi in the year 2021, when the Disposal Group (as defined below) was held by the Group, for the Disposal Group's ordinary working capital purposes, and was not settled after the Completion. Since Zhejiang Dianshi has ceased to be a subsidiary of the Group after the Completion, the loan constituted as financial assistance to an independent third party. Details of the loan were set out in the announcement and circular of the Company dated 6 September 2022 and 25 November 2022, respectively. At the end of the reporting year, in accordance with IFRSs and the accounting policies of the Group, adhering to the principle of prudence, the Group conducted an impairment test on the loan receivable with reference to the results of an external assessment. The Group determined the expected credit loss ("**ECL**") for the loan receivable by taking into account the financial position of the counterparty, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of the loan receivable within its respective loss assessment time horizon, as well as the loss upon default. The Group measured the impairment loss allowance for the loan receivable at an amount equal to lifetime ECL of approximately RMB4,151,000 as at 31 December 2022. As at 31 December 2021, the Group had no loan receivable and no impairment loss on loan receivable was made for the year then ended. Further information on the loan receivable and provision of ECL for loan receivable was set out in the notes to the consolidated financial statements.

As a result of the cumulative effect of the principal factors described above, for the year ended 31 December 2022, the Group reported a net loss attributable to owners of the Company and loss per share from continuing operations of approximately RMB19,005,000 (2021: profit of RMB7,548,000 (restated)) and RMB3.75 cents (2021: earnings of RMB1.49 cents (restated)), respectively.

Though the financial performance of the Group for the year ended 31 December 2022 was not favourable, the Board believes that there will be no material adverse impact on the Group's business operations and the Group maintains a stable financial position.

(v) Profit (loss) attributable to owners of the Company from discontinued operation

For the year ended 31 December 2022, the Group reported a net profit attributable to owners of the Company from discontinued operation of approximately RMB2,837,000 (2021: loss of RMB6,883,000 (restated)),which included a gain on disposal of subsidiaries arising from the Disposal of approximately RMB11,581,000 (2021: nil).

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

For the year ended 31 December 2022, the Group reported a net loss attributable to owners of the Company and loss per share from continuing and discontinued operations of approximately RMB16,168,000 (2021: profit of RMB655,000) and RMB3.19 cents (2021: earnings of RMB0.13 cents), respectively.

2. Impact of "Novel Pneumonia Coronavirus" epidemic

During the reporting year, the "Novel Pneumonia Coronavirus" epidemic has not yet lifted its gloom. With the spread of the epidemic in the mainland China and continuous optimisation and adjustment of the epidemic prevention policy, the society and economy were severely challenged and all business segments of the Group were adversely affected to a certain extent. The project market development, project development and acceptance of the provision of smart city solutions business did not progress as expected, the supply chain activities and express delivery of the provision of e-commerce operation solution services business were greatly affected, and the ongoing market promotion of smart and safe campus has also been forced to slow down. In face of the impact of the epidemic, the Group has been united as one to develop and innovate, overcome difficulties, optimise its business strategy, adjust its business structure and strive to stabilise its business fundamentals. As the epidemic was fading, the operating activities of the Group's business segments have gradually returned to normal; however, the far-reaching impact of the epidemic will continue to affect the business development of the Group.

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)", pilot "National Resident Service Card* (全國居民服務一卡通)", "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, the business actively expanded other provincial markets such as Shanxi Province, Hebei Province, Shandong Province and Jiangxi Province, following the idea of joint development with a focus on collaborative work in innovation and made joint efforts to expand into markets outside the province to secure more service contracts and orders, while consolidating the development and delivery of projects for existing customers in Zhejiang 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.), and strengthened the development of empowering business, such as the research and development of micro-services framework products, data centre products and unified payment products; and (iii) suspended the operation of the original and traditional provision of e-commerce supply chain service business under the provision of e-commerce operation solution services business due to the impact of the integration of domestic cross-border e-commerce platforms. The Group will continue to seek new business opportunities in the provision of e-commerce operation solution services business sector which could generate revenue for the Group.

Discontinued operation

The Group adjusted its development ideas in the provision of e-commerce operation solution services business, under the dual influence of the epidemic and integration of domestic cross-border e-commerce platforms, in a timely manner. The business had ceased the cooperation with the major customer of the original traditional cross-border e-commerce supply chain services business. Leveraged on its accumulated resources and experience, the Group actively cultivated and developed maternal and infant community marketing services business. Through the tireless efforts of the team, the self-developed social e-commerce platform APP and applets had been running smoothly since their launch. The functions and services of the platform had been continuously strengthened and improved. The established supply chain company had continuously enriched its supply chain channels, providing the platform with more choices of high-quality products. However, due to reasons such as the hindrances of investment promotion activities and logistics supply caused by the epidemic, the development of the project had not reached the expected target. After careful consideration and upon the Completion (as detailed below), the Group ceased the provision of maternal and infant community marketing services business during the reporting year and is pursuing other development directions.

4. Investments and cooperation

(i) Business investments and cooperation

On 6 September 2022, the Company entered into the Equity Transfer Agreement with Ms. Zhang Yan (張燕) ("**Ms. Zhang**"), pursuant to which the Company agreed to sell its entire 41% equity interests in Zhejiang Dianshi to Ms. Zhang for a consideration of RMB1.00. Zhejinag Dainshi (which was then a subsidiary of the Company) and its subsidiaries (collectively referred to as the "**Disposal Group**") have been principally engaged in the provision of community marketing services for maternal, infant and children product series to community teams, which was under the Group's provision of e-commerce operation solution services business sector. Details of the Equity Transfer Agreement and Disposal were set out in the announcement and circular of the Company dated 6 September 2022 and 25 November 2022, respectively. Upon the Completion on 10 October 2022, the Disposal Group ceased to be subsidiaries of the Group and the Group ceased its provision of maternal and infant community marketing services business. After the Disposal, the Group will continue to seek new business opportunities in the provision of e-commerce operation solution services business sector which could generate revenue for the Group.

Besides the investment activities mentioned above, the Group has also been constantly seeking suitable investment opportunities or business cooperation opportunities, including opportunities for expansion of the existing businesses and other potential new business opportunities suitable for the Group's development. However, there is no substantial progress up to the 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) Investment in an associate

As at 31 December 2021, the Group had an investment in an associate, which represented its 18.86% interests, through 41% equity interests of Zhejiang Dianshi, in the registered capital of Hangzhou Muye Brand Management Co., Ltd.* (杭州沐野品牌管理有限司) ("**Muye Brand Management**"), a limited company established in the PRC 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, etc.. As at 31 December 2021, the carrying value of the Group's interests in Muye Brand Management was nil as the Group had not made capital injection into Muye Brand Management yet as of that date.

During the reporting year, upon the Completion as described above, the Group no longer holds any equity interests in Muye Brand Management, which has ceased to be an associate of the Group.

(iii) 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 1.88% to 3.93% (2021: 2.25% to 2.95%), 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 1.70% to 3.63% (2021: 2.57% to 3.65%), 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 returns, 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 principals 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 each of the two years ended 31 December 2022, 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.

As at 31 December 2022, 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 RMB18,035,000 (2021: RMB27,611,000) and represented approximately 14.51% (2021: 15.74%) of its total assets. For the year ended 31 December 2022, the gain realised by the Group from the Wealth Management Products amounted to approximately RMB443,000 (2021: RMB584,000).

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 will persist in the coming years. The Group's financial performance may 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

Continuing operations

As at 31 December 2022, the Group had 143 (31 December 2021: 150 (restated)) employees in total. The total staff costs of the Group for the continuing operations for the reporting year amounted to approximately RMB30,371,000 (2021: RMB31,903,000 (restated)).

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 aspects of human resources management 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 salary management system which linked up staff performance appraisal with compensation system. Salary was fixed 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 successful attainment of the Group's goal was assured.

The Group attached great importance to staff development and ability enhancement and provided them with various training opportunities on diverse 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 any staff share scheme or bonus plan.

7. Environment protection

The Group's businesses 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 businesses.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the year ended 31 December 2022, the Group's revenue from continuing operations amounted to approximately RMB135,024,000 (2021: RMB206,049,000 (restated)).

- For the year ended 31 December 2022, the Group achieved a profit margin from continuing operations of approximately 11.66% (2021: 19.67% (restated)).

- For the year ended 31 December 2022, the Group incurred a net loss attributable to owners of the Company from continuing operations of approximately RMB19,005,000 (2021: profit of RMB7,548,000 (restated)).

- For the year ended 31 December 2022, the Group achieved a net profit attributable to owners of the Company from discontinued operation of approximately RMB2,837,000 (2021: loss of RMB6,883,000 (restated)).

- For the year ended 31 December 2022, the Group incurred a net loss attributable to owners of the Company from continuing and discontinued operation of approximately RMB16,168,000 (2021: profit of RMB665,000).

- For the year ended 31 December 2022, the Group recorded loss per share from continuing operations of approximately RMB3.75 cents (2021: earnings of RMB1.49 cents (restated).

- For the year ended 31 December 2022, the Group recorded loss per share from continuing and discontinued operations of approximately RMB3.19 cents (2021: earnings of RMB0.13 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2022, the Group was mainly financed by proceeds generated from daily operations, other internal resources and borrowings.

- As at 31 December 2022, the Group had plant and equipment of approximately RMB3,032,000 (2021: RMB5,493,000). The significant decrease in the Group's plant and equipment during the reporting year was mainly attributable to the Disposal.

- As at 31 December 2022, the Group did not have right-of-use assets (2021: RMB8,153,000). The significant decrease in the Group's right-of-use assets during the reporting year was a result of the Disposal.

- As at 31 December 2022, the Group had goodwill of approximately RMB1,856,000 (2021: RMB2,272,000). The decrease in the Group's goodwill during the reporting year was resulted from the Disposal.

- As at 31 December 2022, the Group had loan receivable of approximately RMB6,849,000 (2021: nil) which represented loan advanced by the Group to Zhejiang Dianshi, its former subsidiary, net of accumulated allowance for impairment loss, as mentioned above.

- As at 31 December 2022, the Group had inventories of approximately RMB7,295,000 (2021: RMB11,179,000). The significant decrease in the Group's inventories during the reporting year was mainly attributable to the decrease in inventories of computer software and hardware.

- As at 31 December 2022, the Group had total prepayments and other receivables of approximately RMB4,753,000 (2021: RMB10,334,000). The significant decrease in the Group's total prepayments and other receivables during the reporting year was mainly attributable to the Disposal and the decrease in prepayments to suppliers under the trading of hardware and computer software business segment.

- As at 31 December 2022, the Group had contract assets of approximately RMB4,551,000 (2021: RMB9,826,000). The significant decrease in the Group's contract assets during the reporting year was mainly attributable to the significant decrease in contract assets recognised under the smart city solutions business segment.

- As at 31 December 2022, 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 RMB41,057,000 (2021: RMB69,423,000). As at 31 December 2022, the total bank balances and cash and financial assets at fair value through profit or loss to total assets and net assets ratio were approximately 33.03% (2021: 39.56%) and 42.32% (2021: 65.82%), respectively.

- As at 31 December 2022, the Group had trade and other payables of approximately RMB16,661,000 (2021: RMB52,940,000). The significant decrease in the Group's trade and other payables during the reporting year was mainly attributable to the Disposal and the decrease in trade payables under the provision of smart city solutions business segment.

- As at 31 December 2022, the Group had contract liabilities of approximately RMB643,000 (2021: RMB415,000). The significant increase in the Group's contract liabilities during the reporting year was mainly attributable to the increase in advance payment from customers for bulk purchase under the trading of hardware and computer software business segment.

- As at 31 December 2022, the Group did not have lease liabilities (2021: RMB8,090,000). The significant decrease in the Group's total lease liabilities during the reporting year was resulted from the Disposal.

- As at 31 December 2022, the Group did not have amount due to ultimate holding company (2021: RMB8,000,000). The significant decrease in the Group's amount due to ultimate holding company during the reporting year was resulted from the Disposal.

- As at 31 December 2022, the Group had bank borrowings of RMB10,000,000 (2021: nil). During the reporting year, the Group obtained new bank borrowings for financing the Group's operations.

- As at 31 December 2022, the Group had total assets of approximately RMB124,318,000 (2021: RMB175,470,000).

- As at 31 December 2022, the Group had total liabilities of approximately RMB27,304,000 (2021: RMB69,994,000).

- As at 31 December 2022, the Group had current assets of approximately RMB111,622,000 (2021: RMB158,154,000).

- As at 31 December 2022, the Group had current liabilities of approximately RMB27,304,000 (2021: RMB65,283,000).

- As at 31 December 2022, the Group had equity attributable to owners of the Company of approximately RMB97,014,000 (2021: RMB113,182,000).

- As at 31 December 2022, the Group did not have non-controlling interests (2021: debit balance of RMB7,706,000).

- As at 31 December 2022, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 21.96% (2021: 39.89%).

- As at 31 December 2022, the Group had a current ratio (i.e. the ratio of current assets to current liabilities) of approximately 4.09 (2021: 2.42).

- 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 continuously monitored 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 note to the consolidated financial statements.

- As at 31 December 2022, none of the Group's assets were pledged (2021: nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group has no material contingent liabilities (2021: nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during each of the two years ended 31 December 2022. 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 2022 and 2021.

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.

Save as disclosed herein, the Group had no material litigations during each of the two years ended 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/status in sales contracts

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 in the industry. On the basis of external sales of computer storage servers and other products and services, it explored system integration services in the field of security, including the active promotion of smart and safe campus services to the regions surrounding Zhejiang Province, such as Anhui Province (development agreements had been reached with eight schools, equipment installation has been completed and more schools were negotiating and developing), and strived to increase the revenue proportion of system integration service contracts to continuously and gradually improve the business revenue 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)", "Resident Service Card* (居民服務一卡通)" and "One-stop City* (一碼通城)", etc.. At the same time, business orders and contracts in many other cities in the country, such as Shanxi Province, Shandong Province and Jiangxi Province, 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 has completed the Disposal and ceased its provision of maternal and infant community marketing services business, and is looking for other suitable business opportunities to increase revenue.

2. Prospects of new business and products

During the reporting year, the Group continued to promote business transformation and development, strengthened the prevention of innovation risks, reviewed the development progress of new businesses, carefully analysed the growth and sustainability of new businesses, and concentrated resources and advantages to achieve effective breakthroughs in transformation. The Group completed the Disposal during the reporting year and ceased the provision of maternal and infant community marketing services business. The Group expects to, under controllable overall risk, continue to seek new business opportunities by combining its existing business and technological strengths, integrate and optimise resources, carry out innovative development of new businesses or new products, and strive to build a sustainable business ecology.

On the one hand, the Group will continue its cultivation in operation services. In particular, 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)" and "Resident Service Card* (居民服務一卡通)", etc., in the future and maximise business value.

On the other hand, the Group will follow the development trend of building "digital China (數字中國)" and promoting "digital governance (數字治理)" by the country and the wave of "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)", "Resident Service Card* (居民服務一卡通)", "One-stop City* (一碼通城)" and "Digital Renminbi* (數字人民幣)", etc., especially the enhancement of new applications of digital citizens (數字市民) based on the city brain (城市數據大腦), innovate and expand application scenarios and service functions, 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 opportunity of the state and governments at all levels to accelerate the improvement 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.

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 the market development of the provision of smart city solutions business, and encouraging its useful exploration in other product sales and services. For example, in terms of smart and safe campus services, the Group will use existing contracted and implemented school projects as models to accumulate experience, accelerate the expansion of the necessary teams, and make market layouts in the country, and strive to become a breakthrough in the transformation of the business.

The Group has revised its "Fourteenth Five-Year" strategic development plan with regard to the internal and external situations of its business development and development goals. The Group will, in accordance with the planning, actively and steadily advance related work to integrate and optimise resources, strengthen business development, improve internal control management, build up talent team and continue to seek acquisition and investment in new businesses and new projects in order to achieve effective breakthrough in business development through capital expansion. The Board understands that the transformation and development of the Group will not be accomplished 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 will 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 the Group's 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.

COMPARATIVES

Certain items related to the discontinued operation during the year ended 31 December 2021 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 2022 is not presented.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2022 have been reviewed and approved by the Company's audit committee.

SCOPE OF AUDITOR'S WORK ON FINAL 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 2022 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 2022 (2021: nil).

CORPORATE GOVERNANCE

The Company has adopted and compiled with all code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision C.2.1 as explained below, throughout the year ended 31 December 2022.

The code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman and chief executive should be separate 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.

Following the appointment of Mr. Wang Feng as the chairman (the "**Chairman**") of the Company on 6 May 2022, Mr. Wang Feng is both the Chairman and chief executive officer (the "**Chief Executive Officer**") of the Company who is responsible for managing the Board and the Group business. The Board believed that vesting the roles of both the Chairman and Chief Executive Officer in the same person would facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considered that the deviation from the code provision C.2.1 of Part 2 of the CG Code was appropriate in such circumstance. In addition, under the supervision of the Board which was comprised of three executive Directors, one non-executive Director and three independent non-executive Directors, the Board was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and Shareholders. However, the Board will continue to review regularly the effectiveness of the Group's corporate governance structure to assess whether the separation of the positions of the Chairman and Chief Executive Officer is necessary.

By order of the Board
Shenghau Lande Scitech Limited*
Wang Feng
Chairman and Chief Executive Officer

Hangzhou City, the PRC, 21 March 2023

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Wang Feng, 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 Listed Company Information" page on the Stock Exchange's website at www.hkexnews.hk 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*