



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)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

**CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

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

Given 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.

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*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 purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS

- Achieved a revenue of approximately RMB291,488,000 for the year ended 31 December 2019, representing an approximately 34.26% increase as compared with the revenue for the year 2018.
- Achieved a net profit attributable to owners of the Company of approximately RMB4,614,000 for the year ended 31 December 2019, comparing to a net profit attributable to owners of the Company of approximately RMB8,393,000 achieved for the year 2018.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

CONSOLIDATED FINANCIAL INFORMATION

The board (the “**Board**”) of Directors is pleased to present the consolidated financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	Notes	RMB'000	RMB'000
Revenue	3	291,488	217,107
Cost of sales		<u>(253,973)</u>	<u>(179,305)</u>
Gross profit		37,515	37,802
Other operating income, net gains or losses	4	6,514	3,564
Distribution and selling expenses		(10,556)	(9,129)
General and administrative expenses		(23,990)	(19,102)
Research and development expenditure		(4,907)	(4,700)
Share of result of an associate		34	–
Finance costs		<u>(737)</u>	<u>(212)</u>
Profit before tax		3,873	8,223
Income tax expenses	5	<u>(118)</u>	<u>(286)</u>
Profit and total comprehensive income for the year	6	<u><u>3,755</u></u>	<u><u>7,937</u></u>
Profit (loss) and total comprehensive income (expense)			
for the year attributable to:			
Owners of the Company		4,614	8,393
Non-controlling interests		<u>(859)</u>	<u>(456)</u>
		<u><u>3,755</u></u>	<u><u>7,937</u></u>
Earnings per share			
Basic and diluted (RMB)	8	<u><u>0.91 cents</u></u>	<u><u>1.66 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current assets			
Plant and equipment		729	1,088
Right-of-use assets		1,287	—
Intangible assets		925	1,225
Interest in an associate		6,634	—
Deferred tax assets		362	264
Goodwill		1,856	1,856
Other receivables		1,463	1,844
		13,256	6,277
Current assets			
Inventories		20,892	9,100
Trade receivables	<i>9</i>	52,560	31,283
Prepayments and other receivables		23,147	29,243
Contract assets		5,331	1,583
Financial assets at fair value through profit or loss		15,601	27,300
Bank balances and cash		32,337	35,172
		149,868	133,681
Current liabilities			
Trade and other payables	<i>10</i>	41,405	21,508
Contract liabilities		2,433	3,303
Bank borrowings		8,000	10,000
Income tax payable		154	56
Lease liabilities		1,685	—
		53,677	34,867

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Net current assets	<u>96,191</u>	<u>98,814</u>
Total assets less current liabilities	<u>109,447</u>	<u>105,091</u>
Non-current liability		
Lease liabilities	<u>601</u>	<u>—</u>
Net assets	<u>108,846</u>	<u>105,091</u>
Capital and reserves		
Paid-in capital	50,655	50,655
Reserves	<u>56,837</u>	<u>52,223</u>
Equity attributable to owners of the Company	107,492	102,878
Non-controlling interests	<u>1,354</u>	<u>2,213</u>
Total equity	<u>108,846</u>	<u>105,091</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	50,655	101,336	10,567	(68,073)	94,485	2,755	97,240
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	8,393	8,393	(456)	7,937
Deregistration of a subsidiary	–	–	(39)	39	–	(86)	(86)
Transfer to statutory reserve	–	–	987	(987)	–	–	–
At 31 December 2018 and at 1 January 2019	50,655	101,336	11,515	(60,628)	102,878	2,213	105,091
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	4,614	4,614	(859)	3,755
Transfer to statutory reserve	–	–	1,117	(1,117)	–	–	–
At 31 December 2019	<u>50,655</u>	<u>101,336</u>	<u>12,632</u>	<u>(57,131)</u>	<u>107,492</u>	<u>1,354</u>	<u>108,846</u>

1. BASIS OF PRESENTATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

In the current year, the Group has applied the following new and amendments to IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and new interpretations ("Int(s)") issued by the IASB.

IFRS 16	Leases
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC-Int 23	Uncertainty over Income Tax Treatments

The impacts of the adoption of IFRS 16 Leases resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below. The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied IFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17 Leases.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases (except for lease of low value assets and lease with remaining lease term of 12 months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.15%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amount previously reported at 31 December 2018 <i>RMB'000</i>	Impact on adoption of IFRS 16 <i>RMB'000</i>	Carrying amount as restated at 1 January 2019 <i>RMB'000</i>
	<i>Notes</i>			
Right-of-use assets	<i>a</i>	–	3,403	3,403
Lease liabilities	<i>a</i>	–	3,368	3,368
Prepayments and other receivables	<i>b</i>	29,243	(35)	29,208

Notes:

- (a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB3,368,000 as if IFRS 16 had been applied since the commencement date.
- (b) The prepaid rental of approximately RMB35,000 as at 31 December 2018 were reclassified to right-of-use assets.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. The total cash flows are unaffected. The adoption of IFRS 16 has resulted in a significant change in presentation of cash flows within the cash flow statement.

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	<i>RMB'000</i>
Operating lease commitments as at 31 December 2018	3,818
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(567)
Add: Extension options reasonably certain to be exercised	<u>239</u>
	3,490
Discounting effect using the incremental borrowing rate as at 1 January 2019	<u>(122)</u>
Lease liabilities recognised as at 1 January 2019	<u><u>3,368</u></u>
Analysed as:	
Current portion	1,456
Non-current portion	<u>1,912</u>
	<u><u>3,368</u></u>

Practical expedients applied

On the date of initial application of IFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

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 ²
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1 and IAS 8	Definition of Material ¹
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

1. Provision of smart city solutions
2. Trading of hardware and computer software
3. Provision of e-commerce supply chain services
4. Provision of telecommunication value-added services

(a) Segment revenue and results

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

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Provision of telecommunication value-added services		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December										
Segment revenue – external customers	<u>41,333</u>	<u>36,278</u>	<u>138,725</u>	<u>166,303</u>	<u>105,059</u>	<u>4,255</u>	<u>6,371</u>	<u>10,271</u>	<u>291,488</u>	<u>217,107</u>
Segment results	<u>5,509</u>	<u>9,146</u>	<u>407</u>	<u>4,247</u>	<u>745</u>	<u>913</u>	<u>577</u>	<u>433</u>	<u>7,238</u>	<u>14,739</u>
Unallocated other operating income, net gains or losses									6,161	2,225
Unallocated expenses									(9,526)	(8,741)
Profit before tax									<u>3,873</u>	<u>8,223</u>

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

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

(b) Segment assets and liabilities

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

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Provision of telecommunication value-added services		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December										
Segment assets	<u>39,965</u>	<u>24,035</u>	<u>55,592</u>	<u>40,875</u>	<u>9,644</u>	<u>4,739</u>	<u>100</u>	<u>188</u>	<u>105,301</u>	<u>69,837</u>
Unallocated assets									<u>57,823</u>	<u>70,121</u>
Total assets									<u>163,124</u>	<u>139,958</u>
Segment liabilities	<u>14,448</u>	<u>13,377</u>	<u>24,429</u>	<u>9,596</u>	<u>4,673</u>	<u>372</u>	<u>288</u>	<u>237</u>	<u>43,838</u>	<u>23,582</u>
Unallocated liabilities									<u>10,440</u>	<u>11,285</u>
Total liabilities									<u>54,278</u>	<u>34,867</u>

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

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

4. OTHER OPERATING INCOME, NET GAINS OR LOSSES

	2019 RMB'000	2018 RMB'000
Government grants (<i>Note</i>)	7,079	687
Write back of other payables	1,097	100
Interest income from banks	824	501
Other interest income	–	267
Gain on disposal of plant and equipment	11	–
Exchange loss (gain), net	(390)	1,162
Net (impairment loss) reversal on provision of trade receivables	(2,108)	21
Gain on disposal on intangible assets	–	712
Rental income	–	99
Others	1	15
	<u>6,514</u>	<u>3,564</u>

Note: Government grants received during the years ended 31 December 2019 and 2018 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

	2019 RMB'000	2018 RMB'000
Current tax expense		
PRC Enterprise Income Tax (“EIT”)	216	56
Deferred tax	<u>(98)</u>	<u>230</u>
	<u>118</u>	<u>286</u>

Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% for the years ended 31 December 2019 and 2018. One of the subsidiaries was subject to EIT at a rate of 15% for the years ended 31 December 2019 and 2018 as it was classified as a High and New Technology Enterprise (高新科技企業).

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2019 and 2018.

6. PROFIT FOR THE YEAR

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

	2019 RMB'000	2018 RMB'000
Salaries and other benefits (including Directors', chief executive's and supervisors' emoluments)	25,194	24,343
Contributions to retirement benefits scheme	3,427	3,149
Total staff costs	28,621	27,492
Auditors' remuneration	647	628
Depreciation of plant and equipment	527	670
Depreciation of right-of-use assets	1,589	–
Loss on written off of plant and equipment	3	13
Amortisation of intangible assets	300	1,100
Impairment loss recognised on right-of-use assets	1,039	–
Impairment loss on trade receivables	2,118	367
Reversal on provision of trade receivables	(10)	(388)
Impairment loss on other receivables	281	24
Operating lease rental for office premises	736	2,544
Impairment loss on inventories (included in cost of sales)	364	–
Cost of inventories recognised as an expense	230,835	161,600

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

8. EARNINGS PER SHARE

The calculations of the basic earnings per share are based on profit for the year attributable to owners of the Company of approximately RMB4,614,000 (2018: RMB8,393,000) and approximately 506,546,000 (2018: 506,546,000) shares in issue during the year ended 31 December 2019.

Diluted earnings per share was the same as basic earnings per share for the years ended 31 December 2019 and 2018 as there were no potential ordinary shares existed during both years.

9. TRADE RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables at amortised cost	54,497	31,815
Less: allowance for impairment loss	<u>(1,937)</u>	<u>(532)</u>
	<u>52,560</u>	<u>31,283</u>

As at 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB54,497,000 (2018: RMB31,815,000).

There were no specific credit period granted to customers except for an average credit period of 30-90 days (2018: 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 of trade receivables as at the end of reporting period, presented based on the invoice date which approximate to revenue recognition date is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
0 to 60 days	37,260	22,348
61 to 90 days	5,546	769
91 to 180 days	1,224	6,130
Over 180 days	<u>8,530</u>	<u>2,036</u>
	<u>52,560</u>	<u>31,283</u>

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

10. TRADE AND OTHER PAYABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade payables	34,072	14,277
Other tax payables	1,750	2,462
Accrued wages and salaries	2,199	2,047
Accrued expenses and other payables	<u>3,384</u>	<u>2,722</u>
	<u>41,405</u>	<u>21,508</u>

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

	2019 RMB'000	2018 RMB'000
Less than 1 year	29,720	6,778
Over 1 year but less than 2 years	753	5,259
Over 2 years but less than 3 years	1,624	285
More than 3 years	1,975	1,955
	<u>34,072</u>	<u>14,277</u>

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

(i) Overview

The Group is principally engaged in (i) the trading of hardware and computer software; (ii) the provision of smart city solutions (the business mainly provides software development and value-added services relating to the construction and operation maintenance of the Citizen Card* (市民卡) systems to the customers, and through which the Group is actively trying to promote its transition to mobile “Internet +” and provide new businesses and products); (iii) the provision of e-commerce supply chain services (the business involves the e-trading of general merchandise and provision of related services, which includes the provision of supply chain services from the production end, procurement end to consumer end for market customers such as the e-commerce platforms, branded manufacturers and merchants through the integration of Internet information technology means and data analysis, and was commenced by the Group in the last quarter of 2018); (iv) the provision of telecommunication value-added services; and (v) the provision of telecommunication solutions (the Company considered that this business no longer met the Group’s development needs and decided to abandon the business and concentrate the Group’s limited resources to better develop other businesses).

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

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

(ii) Revenue

For the year ended 31 December 2019, (i) the trading of hardware and computer software business generated revenue of approximately RMB138,725,000 (2018: RMB166,303,000), representing approximately 16.58% decrease when compared to last year, which was due to the Group's continuous adjustment to the sales strategy and sales structure of the business in the year, increasing the sales of relatively higher gross profit margin brands and products, and reducing the sales of low gross profit margin brands and products. The Group has also been cautiously controlling the scale of the business to control the risks of the related falling inventory prices and increasing trade receivables; (ii) the provision of smart city solutions business generated revenue of approximately RMB41,333,000 (2018: RMB36,278,000), representing approximately 13.93% increase when compared to last year. The business is currently focused on construction projects. Due to the difference in the contract amounts for the projects under construction and progress of the projects in each reporting year, there would be certain fluctuation in the amount of revenue recognised between the respective reporting years. The Group is actively expanding operation services to enhance the stable income capability of the business; (iii) the provision of e-commerce supply chain services business generated revenue of approximately RMB105,059,000 (2018: RMB4,255,000), representing approximately 2,369.07% increase when compared to last year. The Group commenced the business in the last quarter of 2018; (iv) the provision of telecommunication value-added services business generated revenue of approximately RMB6,371,000 (2018: RMB10,271,000), representing approximately 37.97% decrease when compared to last year. The business was constrained by the industry downturn, which led to a decline in the volume of the business in the year. In addition, the national policy to strengthen the regulatory restrictions on related call business also affected the income of the business; and (v) the provision of telecommunication solutions business had not generated revenue (2018: Nil).

For the year ended 31 December 2019, the revenue of the Group was approximately RMB291,488,000 (2018: RMB217,107,000), representing an increase of approximately RMB74,381,000, or approximately 34.26% increase, as compared with that of the year 2018. The overall revenue of the Group increased during the year, which was mainly due to the new provision of e-commerce supply chain services business commenced by the Group in the last quarter of 2018.

(iii) Gross profit margin

For the year ended 31 December 2019, (i) the gross profit margin of the trading of hardware and computer software business was approximately 4.50% (2018: 4.70%). Compared with last year, the gross profit margin of this business declined slightly, but still remained at a relatively high level. The Group strived to continuously adjust the sales strategy and sales structure of this business by increasing the sales of brands and products with relatively higher gross profit margin, while decreasing the sales of brands and products with low gross profit margin; (ii) the gross profit margin of the provision of smart city solutions business was approximately 48.16% (2018: 55.50%). The gross profit margin of this business was affected by the gross profit margin of related projects carried out during the reporting year, and there would be certain fluctuations. In particular, this year's revenue included some software and hardware outsourcing businesses, and the gross profit margin was low. The Group is actively expanding operation services to enhance the stable profitability of the business; (iii) the gross profit margin of the provision of e-commerce supply chain services business was approximately 5.20% (2018: 26.84%). The gross profit margin of this business was affected by the business structure. During the initial start-up period in the previous year, the business involved mainly service business, with relatively higher gross profit margin. During the year, after gradually getting on track, the business became focusing on the normal supply chain trading business, and the business gross profit margin was low; (iv) the gross profit margin of the provision of telecommunication value-added services business was approximately 92.73% (2018: 84.80%). The business achieved a slight increase in the gross profit margin this year by controlling costs; and (v) the provision of telecommunication solutions business had not generated gross profit (2018: Nil).

The gross profit margin of the Group for the year ended 31 December 2019 was approximately 12.87% (2018: 17.41%). The Group's consolidated gross profit margin decreased when comparing with last year. This was mainly attributable to the significant increase in the proportion of the revenue of the Group's provision of e-commerce supply chain services business, which gross profit margin was relatively low, the significant decline in the revenue of the provision of telecommunication value-added services business with high gross profit margin (the revenue contribution ratio of this business decreased significantly) and the relatively low gross profit margin of the projects under construction of the provision of smart city solutions business carried out during the year, when comparing with last year. The Group is working hard to adjust its business structure and product structure. While considering business expansion, it will also take into account the gross profit margin of the business in order to maximise the overall interests of the Group.

(iv) Profit attributable to owners of the Company and earnings per share

For the year ended 31 December 2019, (i) the trading of hardware and computer software business reported segment profit of approximately RMB407,000 (2018: RMB4,247,000). During the year, the business segment increased the labour cost investment, and at the same time, the segment revenue decreased due to the business strategy adjustments and market environment, so there was a decline in the segment profit; (ii) the provision of smart city solutions business reported segment profit of approximately RMB5,509,000 (2018: RMB9,146,000). The business segment's gross profit margin for the year has decreased, while at the same time the provision for trade receivables has increased, so the segment profit for the year has declined; (iii) the provision of e-commerce supply chain services business reported segment profit of approximately RMB745,000 (2018: RMB913,000). During the year, the adjustment of the business structure led to a significant decrease in business gross profit margin despite a significant increase in revenue. At the same time, there was increase in investment including labour costs, marketing expenses and other expenses during the year. As a result, there was a decrease in the segment profit for the year; (iv) the provision of telecommunication value-added services business reported segment profit of approximately RMB577,000 (2018: RMB433,000) In the case of a significant decline in the revenue of this business segment, the Group focused on strengthening management and continued to make efforts to reduce operating costs and expenses (including reduction of lease costs and labour outsourcing costs of operation centres, etc.). Therefore, the segment profit increased slightly this year; and (v) the provision of telecommunication solutions business had not recorded segment results (2018: Nil). For the year ended 31 December 2019, the net unallocated expenses of the Group were approximately RMB3,365,000 (2018: RMB6,516,000). The net unallocated expenses of the Group for the year included government grants (which represented subsidy payments issued by the government under its various perennial subsidy policies to encourage and support industrial development) received of approximately RMB5,716,000 (2018: RMB180,000). In addition, the net unallocated expenses of the Group for the year included net exchange loss of approximately RMB390,000 (2018: gain of RMB1,162,000).

As a result of the cumulative effect of the principal factors described above, for the year ended 31 December 2019, the Group reported a net profit attributable to owners of the Company and earnings per share of approximately RMB4,614,000 (2018: RMB8,393,000) and RMB0.91 cents (2018: RMB1.66 cents), respectively.

2. Business and product development

During the reporting year, the Group's (i) trading of hardware and computer software business continued to adjust its sales strategy and sales structure on the premise of effective control of business risks, increasing sales of brands and products with higher gross profit margin, and the overall business development was relatively stable; (ii) provision of smart city solutions business was a business carried out by the Group after the completion of the acquisition of Increator Technology Co., Ltd.* (浙江創建科技有限公司) ("**Increator Technology**") in February 2018. Through this business, the Group actively grasped the development opportunities of domestic smart cities and strived to promote the overall performance of the Group's business. On the one hand, the Group maintained good cooperative relationship with existing customers, provided 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, and provided pre-consultation and solution design services to new city customers in and outside Zhejiang Province, which laid a good foundation for obtaining new project orders. On the other hand, while providing the implementation and development services for the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", leveraging the development services for technologies such as mobile Internet and big data, the Group vigorously innovated to provide new smart city solutions services and solution development services in other segments (such as smart union, smart communities and smart housekeeping, etc.). In addition, the Group strived to output operation services through Increator Technology. Firstly, the Group provided software development services to the Hangzhou Federation of Trade Unions "Hangong e-home* (杭工e家)" service platform through Hangzhou Increator Smart Union Technology Co., Ltd.* (杭州創建智工科技有限公司) ("**Increator Smart Union**"), a subsidiary established specifically for the smart union operation service, and participated in the operation service. Secondly, the Group cooperated 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**") to set up Guifutong Network Technology Co., Ltd.* (貴服通網絡科技有限責任公司) ("**Guifutong**"), relied on the radio and television and telecommunication network resources owned by Guiguang Network in Guizhou Province, the Group exported related solution services in Guizhou Province directly through Increator Technology or indirectly through Guifutong, and tried to provide operation services through the construction of the Guifutong Service Platform* (貴服通服務平台); (iii) provision of e-commerce supply chain services business actively explored domestic and overseas upstream supply channels, opened up and connected with various domestic downstream e-commerce platforms, and provided e-commerce supply chain services output. With the advancement of this business and the exploration of market opportunities, the Group considered making beneficial attempts in the promotion services for beauty branding and has discussed cooperation plans with relevant domestic potential partners. At the same time, such business gradually participated in e-commerce platform operation services, explored the resources complementation and coordinated development of operation services with the provision of smart city solutions business; (iv) provision of telecommunication value-added services business continued to cooperate with telecommunication operators, providing SMS business cards (短信名片), 114 Bai Shi Tong Alliance (114號碼百事通), precise marketing (精準行銷) and other services. Although the Group continued to reconsider the business development model, it still could not change the shrinking status quo of the business; and (v) provision of telecommunication solutions business, due to lack of adequate resources, failed to obtain order revenue again during the reporting year. The Company considered that the business no longer met the Group's development needs and decided to abandon the business and concentrate the Group's limited resources to better develop other businesses.

3. Investment and cooperation

(i) Business investment and cooperation

On 15 July 2019, Increator Technology entered into an investment agreement (the “**Investment Agreement**”) with Guiguang Network, pursuant to which Increator Technology and Guiguang Network have agreed to establish Guifutong in Guiyang City, Guizhou Province, the PRC for the purpose of the construction and operation of the Guifutong Service Platform* (貴服通服務平台) and the related value-added application service platform and big data platform. According to the Investment Agreement, the registered capital of the Guifutong is RMB50,000,000 and each of Increator Technology and Guiguang Network has agreed to contribute to the registered capital of Guifutong at RMB16,500,000 and RMB33,500,000, respectively. Details of the Investment Agreement and Guifutong were set out in the announcement dated 15 July 2019 issued by the Company. Guifutong was established on 12 August 2019. As at 31 December 2019, the Group’s investment in Guifutong was classified as interest in an associate in its consolidated statement of financial position.

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

During the year ended 31 December 2019, the Group deregistered an immaterial subsidiary, namely Hangzhou Innate Information Technology Co., Ltd.* (杭州英納特信息科技有限公司), due to restructuring of business units.

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

(ii) Investments in wealth management products

Since the year ended 31 December 2018 and during the reporting year, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products (the “**Wealth Management Products**”) issued by Bank of China Limited. The Wealth Management Products had no fixed maturity period and were not principal protected nor with pre-determined or guaranteed return. The underlying investments of the Wealth Management Products were primarily (i) money market instruments (such as various types of deposits, certificates of deposit, pledged repo, etc.); (ii) fixed income securities (such as fixed income products like corporate and government bonds); and (iii) non-standardised assets that met regulatory requirements and other financial investment instruments approved by the regulatory authorities (such as trust loans, acceptance bills and/or letters of credit). The expected annualised rate of return of the Wealth Management Products subscribed during the year was around 2.80%-3.50% (2018: 2.00%-3.85%), which was relatively higher than the comparable market bank deposit interest rates.

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

Details of the subscriptions and redemptions of the Wealth Management Products during the year ended 31 December 2019 which constituted notifiable transactions of the Company under Chapter 20 of the GEM Listing Rules were disclosed in the announcement of the Company dated 16 July 2019.

As at 31 December 2019, the Group's investments in the Wealth Management Products were classified as financial assets at fair value through profit or loss in its consolidated statement of financial position, and amounted to approximately RMB15,601,000 (2018: RMB27,300,000). For the year ended 31 December 2019, the gain realised by the Group from the Wealth Management Products amounted to approximately RMB778,000 (2018: RMB333,000).

4. Principal risks and uncertainties

The Group is operating in the domestic information and trading markets in the PRC. There is 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 occurs and the competition in the market continues to be intensified. The Group endeavours 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 old uncompetitive business.

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

5. Employees information

As at 31 December 2019, the Group had approximately 176 (2018: 173) employees in total. The total staff costs of the Group for the reporting year amounted to approximately RMB28,621,000 (2018: RMB27,492,000).

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

The Group did envisage on employee's personal development and provided employees with training courses on quality and skills. Training plan was given to suit individual staff to help each one more compatible with the Company's job requirement and ensured comprehensive development during his career life.

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

6. Environment protection

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

7. 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 2019, the Group's revenue amounted to approximately RMB291,488,000 (2018: RMB217,107,000).
- For the year ended 31 December 2019, the Group achieved a gross profit margin of approximately 12.87% (2018: 17.41%).
- For the year ended 31 December 2019, the Group achieved a net profit attributable to owners of the Company of approximately RMB4,614,000 (2018: RMB8,393,000).
- For the year ended 31 December 2019, the Group recorded earnings per share of approximately RMB0.91 cents (2018: RMB1.66 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2019, the Group was mainly financed by proceeds generated from daily operations, other internal resources and bank borrowings.
- As at 31 December 2019, the Group had right-of-use assets of approximately RMB1,287,000 (2018: Nil) relating to its office premise leases, which were recognised under the new IFRS 16 as described above.
- As at 31 December 2019, the Group had interest in an associate of approximately RMB6,634,000 (2018: Nil), which represented the Group's investment in Guifutong as described above.
- As at 31 December 2019, the Group had inventories of approximately RMB20,892,000 (2018: RMB9,100,000). The increase in the Group's inventories during the reporting year was mainly attributable to the increase in inventories of hardware and computer software.
- As at 31 December 2019, the Group had trade receivables of approximately RMB52,560,000 (2018: RMB31,283,000). The increase in the Group's trade receivables during the reporting year was mainly attributable to the increase in trade receivables under the trading of hardware and computer software business segment and e-commerce supply chain services business segment.
- As at 31 December 2019, the Group had contract assets of approximately RMB5,331,000 (2018: RMB1,583,000). The increase in the Group's contract assets during the reporting year was mainly attributable to the increase in contract assets recognised under the smart city solutions business segment.
- As at 31 December 2019, 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 RMB47,938,000 (2018: RMB62,472,000). 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 2019 were approximately 29.39% (2018: 44.64%) and 44.04% (2018: 59.45%), respectively.
- As at 31 December 2019, the Group had trade and other payables of approximately RMB41,405,000 (2018: RMB21,508,000). The increase in the Group's trade and other payables during the reporting year was mainly attributable to the increase in trade payables under the trading of hardware and computer software business segment and e-commerce supply chain services business segment.
- As at 31 December 2019, the Group had total lease liabilities of approximately RMB2,286,000 (2018: Nil) relating to its office premise leases, which were recognised under the new IFRS 16 as described above.

- As at 31 December 2019, the Group had a total asset value of approximately RMB163,124,000 (2018: RMB139,958,000).
- As at 31 December 2019, the Group had current liabilities of approximately RMB53,677,000 (2018: RMB34,867,000).
- As at 31 December 2019, the Group had non-current liability of approximately RMB601,000 (2018: Nil).
- As at 31 December 2019, the Group had equity attributable to owners of the Company of approximately RMB107,492,000 (2018: RMB102,878,000).
- As at 31 December 2019, the Group had non-controlling interests of approximately RMB1,354,000 (2018: RMB2,213,000).
- As at 31 December 2019, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 33.27% (2018: 24.91%).
- As at 31 December 2019, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 35.82% (2018: 26.08%).
- The Group's exposure to foreign currency risk related principally to its bank balances, trade receivables, other receivables, contract assets and trade and other payables denominated in foreign currencies other than the functional currency of relevant group entity. The Group did not have a foreign currency hedging policy. However, the Directors would continuously monitor the related foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. Further information on the Group's currency risk are set out in the notes to the consolidated financial statements.
- As at 31 December 2019, none of the Group's assets were pledged (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group has no material contingent liabilities (2018: Nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the year ended 31 December 2019 (2018: 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 2019 and 2018.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

FUTURE PROSPECTS

1. Impact of “Novel Pneumonia Coronavirus” epidemic

The epidemic of the “Novel Pneumonia Coronavirus” in early 2020 had a great impact on economic development of the society. Facing the epidemic situation, the Group, while cooperating with the government to fight the epidemic situation, actively took measures to avoid the economic loss of the Group, and studied and analysed the influences of the epidemic situation on the Group’s business, and grasped the development opportunities contained in it. On the one hand, affected by the epidemic, the Group promoted employees’ home office and network office according to the advantages and characteristics of the industry in which it worked, maintained close contact with suppliers and customers, and tried to maintain the normal development of business activities. In addition, according to the experience of the Group in the past years, the Group’s business would have relatively little activity before and after Chinese New Year. Therefore, although issues like the delay in resuming work caused by the outbreak of the epidemic had some impacts (such as decrease in efficiency in goods delivery, project development, etc.) on the Group’s main business operations, they were basically controllable. On the other hand, information technology had played a huge role in the fight against the epidemic, whether it was “digital empowerment (數字賦能)” to help government management to fight the epidemic, or “convenient services (便民服務)” to meet the needs of ordinary citizens. Relevant businesses of the Group have also played a role in this, for example, the smart city solutions business have provided solutions to individual city customers to help the government fighting the epidemic. The epidemic is not over yet. The Group will seriously deal with the negative impact of the epidemic on various businesses. In addition, the Group believes that the epidemic will stimulate demand for related products and services, and the Group’s related businesses will benefit directly or indirectly.

2. Orders in hand/status in sales contract

During the reporting year, the Group’s trading of hardware and computer software business maintained close cooperation with well-known hardware and software vendors in the industry, launched sales of computer storage servers and other products and services, and sought to increase the proportion of system integration service contract revenue, and continued to gradually improve the business income structure and profitability. The construction service contracts of the Group’s smart city solutions business are being implemented in many places in and outside Zhejiang Province as planned, and good cooperative relationships were established with local city customers. The business was exploring customer needs and provided smart city solution products and services such as “Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)”, etc.. Business order contracts in many other cities in the country were explored, which laid a foundation for the subsequent continuous creation of new contract orders. After more than a year of exploration, the Group’s e-commerce supply chain services business has established cooperative relationships with many well-known domestic e-commerce platforms, domestic and foreign brand

manufacturers and merchants, and will further actively explore upstream and downstream channel cooperation to seek more business cooperation orders, especially for more upstream quality product resources. The cooperation between the Group's telecommunication value-added services business and telecommunication operators is within the validity period of the contract. At the same time, it also maintains access and implementation in many places. However, due to market demand and policy restrictions, the business has not been able to change the situation, necessary adjustments are now considering. It is difficult for the Group's telecommunication solutions business to re-acquire new business contract orders based on the current status. The Company decided to abandon this business to better support the development of other businesses. The Directors believe that this move will not have any material adverse impact on the financial and trading position of the Group.

3. Prospects of new business and new products

The Group continues to promote the transition to mobile Internet services, and combines existing business and technological advantages, and continues to seek new business opportunities, with a view to providing technology development capabilities and business innovation capabilities possessed by the smart city solutions business to collaborate with other businesses and integrate resources, carry out innovative development of new business or new products, and strive to build a business ecosystem with sustainable development capabilities.

On the one hand, the Group will grasp the technical advantages and customer resources in various cities accumulated in the provision of smart city solutions business, strengthen solution innovation, provide “digital empowerment (數字賦能)” to customers, and continuously improve the “Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)”, expand application scenarios and service functions, such as further strengthening the development of applications like smart union, smart community and smart housekeeping services. In particular, this business summarises the practical experience of applying digital technology for some city customers to combat the “Novel Pneumonia Coronavirus” epidemic. Leveraging the opportunities after the epidemic that state and governments at all levels would deeply reconsider the social governance and city management service capabilities and efficiency, the business would promote better solutions involving the provision of complete digital information services with “information release, information collection, traceability and behavior management” to city customers in every city, which will help to improve and enhance their social governance and city management, and drive the development of new customers and exploration of old customers for this business.

On the other hand, the Group will continue to cultivate operation services in order to provide a variety of convenient services and value-added services to a broad customer base of the “Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)” to maximise business value. Firstly, continue to promote operation services output in the smart union area by Increator Smart Union. While providing system solution development services, enhance the value-added service capabilities, and provide personalised value-added services and goods for union organisations and members. Secondly, seize the opportunity of establishing Guifutong and building of Guifutong Service Platform* (貴服通服務平台), to provide value-added services such as creating a “Smart and Healthy Living Room* (智慧健康客廳)”, and to provide opportunities for operation services. Thirdly, encourage e-commerce supply chain services business to provide operation services for e-commerce platforms, further accumulate resources of upstream and downstream channels to master product and service capabilities with sufficient profit potential, and actively promote the coordinated development and resources complementation of operation services with smart city solutions business.

Further, the Group will actively promote the transformation and development of other business sectors, develop or introduce new businesses and new products, and help the Group to construct business ecosystem. Firstly, 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 smart city solutions business and encourage beneficial exploration in other product sales services. Secondly, reviewing the telecommunication value-added services business and making necessary adjustments and integrations, such as considering transformation to provide support for other business operations and provide related value-added services. Thirdly, encouraging e-commerce supply chain services business to strengthen service capabilities. In addition to expanding supply chain channels and providing e-commerce platform operation services, focus on brand marketing and other capabilities, such as brand marketing of beauty products.

In order to achieve the strategic development goals, the Group has actively and steadily advanced related work in accordance with the above plan. The Board believes that the Group would seize the opportunity and, through adopting effective measures, with the coordinated development of each business segment, and build a business ecosystem with the Group’s characteristics in the future, covering from technology to services, from products to platforms, from offline to online, and from B end to C end. The Group’s continued profitability in the mobile Internet service industry will be created which will bring more value to the Shareholders.

4. Use of 2015 Placing Proceeds

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

The 2015 Placing Proceeds have been fully utilised up to 31 December 2019 as planned and the use of the 2015 Placing Proceeds are summarised in the following table:

No.	Uses of net proceeds	Allocation (revised as per approval by the Shareholders at the extraordinary general meeting held on 29 January 2018)	Utilised amount as at 31 December 2019	Remaining balance as at 31 December 2019
(a)	Investments in research and development in relation to telecommunication solutions and telecommunication value-added services, developing data mining technologies and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, with a view to transforming towards “Internet +”	Approximately RMB5,000,000	Approximately RMB5,000,000	—
(b)	Future investments	Approximately RMB10,000,000	Approximately RMB10,000,000	—
(c)	General working capital	Approximately RMB21,000,000	Approximately RMB21,000,000	—
(d)	Settlement of consideration for the acquisition of Increator Technology	Approximately RMB6,000,000	Approximately RMB6,000,000	—

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2019 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 2019 as set out in this preliminary announcement have been agreed by the Company'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 2019 (2018: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2019, the Company complied, in all material aspects, with all code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules except for the following deviation.

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

Mr. Qi Jinsong is both the chairman and chief executive officer of the Company who is responsible for managing the Board and Group's business. The Board considers that, with the current Board structure and scope of business of the Group, vesting the roles of the chairman and chief executive officer in the same person enables more effective and efficient planning and implementation of business plans and the Board believes that the balance of power and rights is adequately ensured. 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.

On behalf of the Board
Shenghua Lande Scitech Limited*
Qi Jinsong
Chairman and Chief Executive Officer

Huzhou City, the PRC, 20 March 2020

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

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

* For identification purposes only