



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 2023**

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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 (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 RMB98,089,000 for the year ended 31 December 2023, representing a decrease of approximately 27.35% as compared with the revenue from continuing operations for the year 2022.
- Incurred a net loss attributable to owners of the Company from continuing operations of approximately RMB42,773,000 for the year ended 31 December 2023, as compared with the net loss attributable to owners of the Company from continuing operations of approximately RMB19,005,000 incurred for the year 2022.
- Had not recorded any results attributable to owners of the Company from discontinued operation for the year ended 31 December 2023, as compared with the net profit attributable to owners of the Company from discontinued operation of approximately RMB2,837,000 achieved for the year 2022.
- Incurred a net loss attributable to owners of the Company from continuing and discontinued operations of approximately RMB42,773,000 for the year ended 31 December 2023, as compared with the net loss attributable to owners of the Company from continuing and discontinued operations of approximately RMB16,168,000 incurred for the year 2022.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

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 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Continuing operations			
Revenue	3	98,089	135,024
Cost of sales		<u>(86,574)</u>	<u>(119,277)</u>
Gross profit		11,515	15,747
Other operating (expenses) income, net gains or losses	4	(18,281)	(1,443)
Distribution and selling expenses		(7,320)	(6,018)
General and administrative expenses		(14,466)	(17,329)
Research and development expenditure		(13,187)	(9,833)
Finance costs		<u>(353)</u>	<u>(301)</u>
Loss before tax		(42,092)	(19,177)
Income tax (expenses) credit	5	<u>(681)</u>	<u>172</u>
Loss and total comprehensive expense for the year from continuing operations	6	(42,773)	(19,005)
Discontinued operation			
Loss for the year from discontinued operation		<u>–</u>	<u>(16,581)</u>
Loss and total comprehensive expense for the year		<u>(42,773)</u>	<u>(35,586)</u>

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company			
– from continuing operations		(42,773)	(19,005)
– from discontinued operation		–	2,837
		<u>–</u>	<u>2,837</u>
Loss and total comprehensive expense for the year attributable to owners of the Company		(42,773)	(16,168)
		<u>(42,773)</u>	<u>(16,168)</u>
Loss and total comprehensive expense for the year attributable to non-controlling interests			
– from continuing operations		–	–
– from discontinued operation		–	(19,418)
		<u>–</u>	<u>(19,418)</u>
Loss and total comprehensive expense for the year attributable to non-controlling interests		–	(19,418)
		<u>–</u>	<u>(19,418)</u>
		(42,773)	(35,586)
		<u>(42,773)</u>	<u>(35,586)</u>
Loss per share	8		
From continuing and discontinued operations			
Basic and diluted (<i>RMB</i>)		(8.44) cents	(3.19) cents
		<u>(8.44) cents</u>	<u>(3.19) cents</u>
From continuing operations			
Basic and diluted (<i>RMB</i>)		(8.44) cents	(3.75) cents
		<u>(8.44) cents</u>	<u>(3.75) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets			
Plant and equipment		2,660	3,032
Intangible assets		–	25
Deferred tax assets		259	934
Interest in an associate		–	–
Goodwill		–	1,856
Loan receivable		1,594	6,849
		<u>4,513</u>	<u>12,696</u>
Current assets			
Inventories		17,105	7,295
Trade and bills receivables	9	39,860	53,966
Prepayments and other receivables		5,559	4,753
Contract assets		4,800	4,551
Financial assets at fair value through profit or loss		–	18,035
Bank balances and cash		15,308	23,022
		<u>82,632</u>	<u>111,622</u>
Current liabilities			
Trade and other payables	10	19,904	16,661
Contract liabilities		1,040	643
Bank borrowings		11,960	10,000
		<u>32,904</u>	<u>27,304</u>
Net current assets		<u>49,728</u>	<u>84,318</u>
Total assets less current liabilities		<u><u>54,241</u></u>	<u><u>97,014</u></u>
Capital and reserves			
Paid-in capital		50,655	50,655
Reserves		3,586	46,359
Total equity		<u><u>54,241</u></u>	<u><u>97,014</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	Total			
	<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>	
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 and at 1 January 2023	50,655	101,336	13,767	(68,744)	97,014	-	97,014	
Loss and total comprehensive expense for the year	-	-	-	(42,773)	(42,773)	-	(42,773)	
At 31 December 2023	<u>50,655</u>	<u>101,336</u>	<u>13,767</u>	<u>(111,517)</u>	<u>54,241</u>	<u>-</u>	<u>54,241</u>	

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.

Going concern basis

The Group incurred a substantial loss of approximately RMB42,773,000 for the year ended 31 December 2023. The Directors are of the opinion that the Group will have adequate funds to finance its future financing requirements and working capital after taking into account of the measure that the Company has obtained a letter of financial support from Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司), a substantial shareholder of the Company. Zhejiang Shenghua Holdings Group Company Limited* has confirmed its willingness to provide adequate financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future such that the Group can meet its future working capital and financing requirements.

In view of the above, the Directors are confident that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 31 December 2023.

Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs and International Accounting Standards (“IAS(s)”) issued by the IASB for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to IFRSs and IASs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in those consolidated financial statements.

Amendments to IFRSs issued but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that, the application of all amendments to IFRSs and IASs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

During the year ended 31 December 2023, revenue comprised income from trading of hardware and computer software and provision of smart city solutions (2022: trading of hardware and computer software, provision of smart city solutions and provision of e-commerce operation solution services).

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

(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	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December								
Segment revenue – external customers	<u>12,226</u>	<u>21,445</u>	<u>85,863</u>	<u>113,147</u>	<u>-</u>	<u>432</u>	<u>98,089</u>	<u>135,024</u>
Segment results	<u>(30,749)</u>	<u>(10,886)</u>	<u>187</u>	<u>1,712</u>	<u>(236)</u>	<u>(536)</u>	<u>(30,798)</u>	<u>(9,710)</u>
Unallocated other operating (expenses) income, net gains or losses							<u>(4,530)</u>	<u>(2,125)</u>
Unallocated expenses							<u>(6,764)</u>	<u>(7,342)</u>
Loss before tax (continuing operations)							<u>(42,092)</u>	<u>(19,177)</u>

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

Segment results represented the results 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	
	2023	2022	2023	2022	2023	2022	2023	2022
	<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>17,548</u>	<u>46,864</u>	<u>45,903</u>	<u>23,255</u>	<u>1</u>	<u>2</u>	<u>63,452</u>	70,121
Unallocated assets							<u>23,693</u>	<u>54,197</u>
Total assets							<u>87,145</u>	<u>124,318</u>
Segment liabilities	<u>8,534</u>	<u>9,340</u>	<u>23,899</u>	<u>17,559</u>	<u>471</u>	<u>405</u>	<u>32,904</u>	<u>27,304</u>

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, certain prepayments and other receivables, loan receivable and deferred tax assets which were unable to allocate to reportable segments.

4. **OTHER OPERATING (EXPENSES) INCOME, NET GAINS OR LOSSES**

Continuing operations

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (<i>note</i>)	106	2,635
Foreign exchange (losses) gain, net	(23)	764
Bank interest income	396	472
Reversal of impairment loss of inventories	25	40
Impairment loss of trade and bills receivables	(11,461)	(1,285)
Impairment loss of loan receivable	(5,255)	(4,151)
Impairment loss of other receivables, net	(554)	(32)
Impairment loss of goodwill	(1,856)	–
Loan interest income	550	114
Loss on disposal of plant and equipment	(209)	–
	<u>(18,281)</u>	<u>(1,443)</u>

Note: Government grants received during the years ended 31 December 2023 and 2022 related to rebate of value-added tax and government subsidies. There were no unfulfilled conditions or contingencies relating to those grants.

5. INCOME TAX EXPENSES (CREDIT)

Continuing operations

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax expense		
PRC Enterprise Income Tax (“EIT”)	6	29
Over provision in prior years	—	(38)
	<u>6</u>	<u>(9)</u>
Deferred tax	675	(163)
	<u>681</u>	<u>(172)</u>

Under the EIT Law (the “EIT Law”) of the PRC and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises was 25% for the years ended 31 December 2023 and 2022. One of the subsidiaries of the Group was subject to EIT at a rate of 15% for the years ended 31 December 2023 and 2022, as it was classified as a High and New Technology Enterprise* (高新技術企業). One of the subsidiaries of the Group was subject to EIT at a rate of 5% for below RMB3 millions of profits for the year ended 31 December 2023 and at a rate of 2.5% for first RMB1 million of profits and 5% for above RMB1million but below RMB3 millions of profits for the year ended 31 December 2022, as it was classified as a Small and Low Profit Enterprise* (小型微利企業).

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 2023 and 2022.

6. LOSS FOR THE YEAR

Continuing operations

Loss for the year has been arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries and other benefits	25,429	26,950
Contributions to retirement benefits scheme	2,911	3,421
	<u>28,340</u>	<u>30,371</u>
Total staff costs (including Directors’, chief executive’s and supervisors’ emoluments)		
Auditor’s remuneration	620	748
Depreciation of plant and equipment	936	815
Depreciation of right-of-use assets	—	1,484
Amortisation of intangible assets	25	317
Impairment loss of goodwill	1,856	—
Expenses relating to short-term leases	1,730	240
Cost of inventories recognised as an expense	79,695	105,324
	<u>79,695</u>	<u>105,324</u>

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

8. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations was based on loss for the year attributable to owners of the Company of approximately RMB42,773,000 (2022: RMB16,168,000) and approximately 506,546,000 (2022: 506,546,000) shares in issue during the year ended 31 December 2023.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2023 and 2022 as there were no potential ordinary shares existed during both years.

From continuing operations

The calculations of the basic and diluted loss per share from continuing operations were based on the following data:

Loss figures were calculated as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the year attributable to the owners of the Company	(42,773)	(16,168)
Add: profit for the year from discontinued operation	<u>–</u>	<u>(2,837)</u>
Loss for the purpose of basic and diluted loss per share for the year attributable to the owners of the Company from continuing operations	<u>(42,773)</u>	<u>(19,005)</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>506,546</u>	<u>506,546</u>

From discontinued operation

Basic and diluted earnings per share from discontinued operation was RMB0.56 cents for the year ended 31 December 2022, based on the profit for the year from discontinued operation of approximately RMB2,837,000 and the denominators detailed above for both basic and diluted loss per share.

9. TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and bills receivables at amortised cost	56,374	59,019
Less: allowance for impairment loss	<u>(16,514)</u>	<u>(5,053)</u>
	<u>39,860</u>	<u>53,966</u>

As at 31 December 2023, the gross amount of trade and bills receivable arising from contracts with customers amounted to approximately RMB56,374,000 (2022: RMB59,019,000). Bills receivable of approximately RMB1,960,000 (2022: nil) were pledged to secure bank borrowings of approximately RMB1,960,000 (2022: nil) as at 31 December 2023.

There were no specific credit period granted to customers except for an average credit period of 30 – 90 days (2022: 30 – 90 days) to its trade customers under the trading of hardware and computer software segment. Ageing analysis of the trade and bills 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 90 days	28,007	27,187
91 to 180 days	348	691
Over 180 days	<u>11,505</u>	<u>26,088</u>
	<u>39,860</u>	<u>53,966</u>

The Group did not hold any collateral over its trade and bills 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.

10. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	15,537	12,083
Other tax payables	1,083	1,116
Accrued wages and salaries	2,049	2,035
Accrued expenses and other payables	<u>1,235</u>	<u>1,427</u>
	<u>19,904</u>	<u>16,661</u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	11,709	10,609
Over 1 year but less than 2 years	2,792	703
Over 2 years but less than 3 years	543	509
More than 3 years	493	262
	15,537	12,083

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 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

(i) Overview

Continuing operations

The Group is principally engaged in (i) the trading of hardware and computer software; (ii) the provision of smart city solutions; and (iii) the provision of e-commerce operation solution services (this business segment completed the Disposal in the fourth quarter of the year 2022 and ceased the provision of maternal and infant community marketing services business, and has suspended the original traditional provision of e-commerce supply chain services business and is seeking other suitable business opportunities).

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 were project-based. Currently, the main revenue of the business comes from specific projects and the income depends 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

At the end of the third quarter of the year ended 31 December 2021, the Group commenced the provision of maternal and infant community marketing services and provision of self-developed e-commerce platform services, as one of the channels for promoting the development of mobile Internet services. However, the performance of this business could not meet the initial expectation of the Group. The Group ceased this business in the fourth quarter of the year 2022 through the Equity Transfer Agreement and Disposal, and continues to seek alternative paths for the Group's business transformation and development. Details of the Equity Transfer Agreement, Disposal and termination of the business were set out in the Company's announcement dated 6 September 2022, circular dated 25 November 2022 and annual report for the year 2022 dated 21 March 2023.

(ii) Revenue

Continuing operations

For the year ended 31 December 2023, (i) the trading of hardware and computer software business generated revenue of approximately RMB85,863,000 (2022: RMB113,147,000), representing approximately 24.11% decrease when compared to last year. At present, the business has a high customer concentration, and the fluctuations in orders from major customers have a great impact on business revenue. During the reporting year, the demand from major customers of the business was insufficient, and intense market competition has led to unsatisfactory development of new customers, so the revenue decreased significantly year-on-year. However, the revenue of the business has improved in the second half of this year, the customer concentration situation has improved, and the business volume of old customers has shown a good trend of first falling and then rising, while efforts have been made to develop other new end customers; (ii) the provision of smart city solutions business generated revenue of approximately RMB12,226,000 (2022: RMB21,445,000), representing approximately 42.99% decrease when compared to last year. The business is focused on construction projects currently. Due to the differences in the contract amounts of 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 reporting year, due to the impact of the market macroeconomic situation, continuous intensification of market competition and the Group's unsatisfactory performance in market development, the revenue decreased significantly year-on-year; and (iii) the provision of e-commerce operation solution services business has not generated revenue. For the year ended 31 December 2022, the business generated revenue of approximately RMB432,000. The business suspended its original traditional business since the first quarter of the year 2022 and is currently looking for other suitable e-commerce service business opportunities to support the output of operation services of the provision of smart city solutions business.

For the year ended 31 December 2023, the revenue of the Group from continuing operations was approximately RMB98,089,000 (2022: RMB135,024,000), representing a decrease of approximately RMB36,935,000, or approximately 27.35%, as compared with that of the year 2022.

(iii) Gross profit margin

Continuing operations

For the year ended 31 December 2023, (i) the gross profit margin of the trading of hardware and computer software business was approximately 7.18% (2022: 7.30%). During the reporting year, the Group continued to adjust the sales strategy and sales structure of the 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, in order to increase gross profit margin; (ii) the gross profit margin of the provision of smart city solutions business was approximately 43.74% (2022: 34.94%). 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; and (iii) the provision of e-commerce operation solution services business did not generate revenue and gross profit. The gross loss margin of the business for the year ended 31 December 2022 was approximately 0.16%. The business has suspended its original traditional business and is seeking other suitable business opportunities.

The gross profit margin of the Group from continuing operations for the year ended 31 December 2023 was approximately 11.74% (2022: 11.66%).

(iv) Loss attributable to owners of the Company

Continuing operations

For the year ended 31 December 2023, (i) the trading of hardware and computer software business reported a segment profit of approximately RMB187,000 (2022: RMB1,712,000). During the reporting year, the revenue of the business decreased significantly year-on-year, resulting in a significant decrease in segment profit. However, the revenue and gross profit margin performance of the business have improved in the second half of this year; (ii) the provision of smart city solutions business reported a segment loss of approximately RMB30,749,000 (2022: RMB10,886,000). The main source of funds for the smart cities construction in China relied on national financial expenditures. Although the “Novel Pneumonia Coronavirus” epidemic has ended, the epidemic has hindered economic development for three years and China’s economy has also been inevitably affected. Local government financial expenditures related to the construction and operation of smart cities have been passively reduced due to macroeconomic pressure. At the same time, market competition continued to be intensified and the Group’s performance in market development was not satisfactory. Under these circumstances, the financial performance of the provision of smart city solutions business was adversely affected. During the reporting year, the business recorded (a) a significant decrease in revenue; (b) a significant decrease in government grants received; (c) a significant increase in impairment loss of trade and bills receivables recognised based on the expected credit loss (the “ECL”) model using the provision matrix methodology with reference to the results of an external assessment; and (d) an impairment loss of goodwill in respect of a wholly-owned subsidiary of the Group engaged in the business recognised based on the value-in-use calculation of the related cash-generating unit (further information on the provisions of ECL for the Group’s trade and bills receivables and impairment loss of goodwill was set out in the

notes to the consolidated financial statements), resulting in a substantial year-on-year increase in segment loss; and (iii) the provision of e-commerce operation solution services business reported a segment loss of approximately RMB236,000 (2022: RMB536,000). As mentioned above, the Group has suspended the operation of the original traditional business.

For the year ended 31 December 2023, the net unallocated expenses of the Group were approximately RMB11,294,000 (2022: RMB9,467,000), which included an impairment loss of loan receivable of approximately RMB5,255,000 (2022: RMB4,151,000). 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 Zhejiang Dianshi and its subsidiaries (together referred to as the “**Disposal Group**”) was held by the Group, for the Disposal Group’s ordinary working capital purposes, and was not settled after the Completion. Since Zhejiang Dianshi ceased to be a subsidiary of the Group after the Completion, the loan constituted as a 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. ECL model using the credit risk methodology has been adopted for estimating the impairment loss of loan receivable. The Group measured the impairment loss allowance for the loan receivable at an amount equal to lifetime ECL of approximately RMB9,406,000 as at 31 December 2023 (2022: RMB4,151,000), as it has a significant increase in credit risk since initial recognition. 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 2023, the Group reported a net loss attributable to owners of the Company and loss per share from continuing operations of approximately RMB42,773,000 (2022: RMB19,005,000) and RMB8.44 cents (2022: RMB3.75 cents), respectively.

Discontinued operation

For the year ended 31 December 2023, the Group has not reported any results attributable to owners of the Company from discontinued operation (2022: profit of RMB2,837,000).

Continuing and discontinued operations

For the year ended 31 December 2023, the Group reported a net loss attributable to owners of the Company and loss per share from continuing and discontinued operations of approximately RMB42,773,000 (2022: RMB16,168,000) and RMB8.44 cents (2022: RMB3.19 cents), respectively.

Though the financial performance of the Group for the year ended 31 December 2023 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. As described in detail in note 1 headed "Basis of Presentation" to the consolidated financial information above, the Directors have prepared the consolidated financial statements on a going concern basis.

2. Business and product development

Continuing operations

During the reporting year, the Group (i) strengthened the prevention and control of inventory and trade receivable risks in the trading of hardware and computer software business, continued to adjust the sales strategy and sales structure, maintained the key customer groups, opened up other new end customers, increased the proportion of end customer sales revenue with higher gross profit margin, actively expanded the system integration services business inside and outside the province, and decided to terminate the smart and safe campus project that has been unable to solve the charging bottleneck, so as to concentrate resources to promote the business to seek new development; (ii) actively grasped the development opportunities of domestic smart cities construction in the provision of smart city solutions business, strengthened the construction of the functional system of the marketing centre and expanded the strength of the sales force, collaborated with external resources, strengthened internal coordination, 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)" and "digital reform (數字化改革)" in Zhejiang Province, 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 good relationships with customers have been maintained, and strived to open up new customers and new markets. During the year, the business actively expanded new markets outside the province such as Shanxi Province, Hebei Province, Shandong Province and Jiangxi Province, followed the idea of joint development with a focus on collaborative work in innovation and made joint efforts with strategic partners to expand into markets outside the province to secure more service contracts and orders, while actively consolidating the development and delivery of projects for existing customers inside and outside Zhejiang Province. With the development of new technologies such as AIoT and big data, the business vigorously innovated to provide new smart city solution 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 research and development of micro-services framework products, data centre products and localisation adaptation, etc., to improve product development and empower business development; and (iii) suspended the operation of the original traditional provision of e-commerce supply chain services business in 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.

3. Investments and cooperation

(i) Business investments and cooperation

During the reporting year, the Group had been continuously 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 has been no substantial progress up to the present.

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

(ii) Investments in wealth management products

During the reporting year, the Group held various short-term investments, from time to time, in the wealth management products issued by Bank of China Limited (the “**BOC Wealth Management Products**”) and Bank of Hangzhou Co., Ltd.* (杭州銀行股份有限公司) (the “**BOH Wealth Management Products**”) (collectively referred to as the “**Wealth Management Products**”). The Wealth Management Products had no fixed maturity periods and were not principal protected nor with pre-determined or guaranteed returns. The underlying investments of the BOC Wealth Management Products were primarily (i) money market instruments (such as various types of deposits, certificates of deposit, pledged repo, etc.); (ii) fixed income securities (such as fixed income products like corporate and government bonds); and (iii) non-standardised assets that met regulatory requirements and other financial investment instruments approved by the regulatory authorities (such as trust loans, acceptance bills and/or letters of credit). The expected annualised rate of return of the BOC Wealth Management Products was around 1.82% to 2.06% (2022: 1.88% to 3.93%), 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 1.60% to 3.33% (2022: 1.70% to 3.63%), 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 redemptions 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 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 2023, 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.

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. All of the financial assets at fair value through profit or loss have been redeemed during the year ended 31 December 2023 and there was no outstanding principal balance as at 31 December 2023. As at 31 December 2022, the aggregate outstanding principal amount was approximately RMB18,035,000 and represented approximately 14.51% of the Group’s total assets. For the year ended 31 December 2023, the gain realised by the Group from the investments in the Wealth Management Products amounted to approximately RMB197,000 (2022: RMB443,000).

4. 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.

5. Employees information

Continuing operations

As at 31 December 2023, the Group had 119 (2022: 143) employees in total. The total staff costs of the Group for the continuing operations for the reporting year amounted to approximately RMB28,340,000 (2022: RMB30,371,000).

The Group's human resources management strategy was formulated in accordance with the Group's development strategy 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 schemes have 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 a salary management system which linked up staff performance appraisal with a compensation system. Salary was fixed and released in accordance with performance appraisal results. After a total assessment of an employee's job performance, capability and work attitude, a comprehensive 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 a variety of quality and skills training opportunities. 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.

6. Environment protection

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

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 businesses.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the year ended 31 December 2023, the Group's revenue from continuing operations amounted to approximately RMB98,089,000 (2022: RMB135,024,000).
- For the year ended 31 December 2023, the Group achieved a profit margin from continuing operations of approximately 11.74% (2022: 11.66%).
- For the year ended 31 December 2023, the Group incurred a net loss attributable to owners of the Company from continuing operations of approximately RMB42,773,000 (2022: RMB19,005,000).
- For the year ended 31 December 2023, the Group did not record any results attributable to owners of the Company from discontinued operation (2022: profit of RMB2,837,000).
- For the year ended 31 December 2023, the Group incurred a net loss attributable to owners of the Company from continuing and discontinued operation of approximately RMB42,773,000 (2022: RMB16,168,000).
- For the year ended 31 December 2023, the Group recorded loss per share from continuing operations of approximately RMB8.44 cents (2022: RMB3.75 cents).
- For the year ended 31 December 2023, the Group recorded loss per share from continuing and discontinued operations of approximately RMB8.44 cents (2022: RMB3.19 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2023, the Group was mainly financed by proceeds generated from daily operations, other internal resources and bank borrowings.
- As at 31 December 2023, the Group did not have goodwill (2022: RMB1,856,000). The significant decrease in the Group's goodwill during the reporting year was attributable to the impairment loss recognised under the provision of smart city solutions business segment as mentioned above.
- As at 31 December 2023, the Group had loan receivable of approximately RMB1,594,000 (2022: RMB6,849,000). The significant decrease in the Group's loan receivable during the reporting year was attributable to the impairment loss recognised as mentioned above.
- As at 31 December 2023, the Group had inventories of approximately RMB17,105,000 (2022: RMB7,295,000). The significant increase in the Group's inventories during the reporting year was attributable to the increase in inventories of computer software and hardware.

- As at 31 December 2023, the Group had trade and bills receivables of approximately RMB39,860,000 (2022: RMB53,966,000). The significant decrease in the Group's trade and bills receivables during the reporting year was mainly attributable to the impairment loss recognised under the provision of smart city solutions business segment as mentioned above.
- As at 31 December 2023, the Group had prepayments and other receivables of approximately RMB5,559,000 (2022: RMB4,753,000). The increase in the Group's total prepayments and other receivables during the reporting year was mainly attributable to the increase in deductible input value-added tax under the trading of hardware and computer software business segment.
- As at 31 December 2023, 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 RMB15,308,000 (2022: RMB41,057,000). 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 2023 were approximately 17.57% (2022: 33.03%) and 28.22% (2022: 42.32%), respectively.
- As at 31 December 2023, the Group had trade and other payables of approximately RMB19,904,000 (2022: RMB16,661,000). 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.
- As at 31 December 2023, the Group had contract liabilities of approximately RMB1,040,000 (2022: RMB643,000). The significant increase in the Group's contract liabilities during the reporting year was mainly attributable to the increase in advance payments from customers under the provision of smart city solutions business segment.
- As at 31 December 2023, the Group had bank borrowings of approximately RMB11,960,000 (2022: RMB10,000,000). During the reporting year, the Group increased bank borrowings to financing the Group's operations.
- As at 31 December 2023, the Group had total assets of approximately RMB87,145,000 (2022: RMB124,318,000).
- As at 31 December 2023, the Group had total liabilities of approximately RMB32,904,000 (2022: RMB27,304,000).
- As at 31 December 2023, the Group had current assets of approximately RMB82,632,000 (2022: RMB111,622,000).
- As at 31 December 2023, the Group had current liabilities of approximately RMB32,904,000 (2022: RMB27,304,000).

- As at 31 December 2023, the Group had equity attributable to owners of the Company of approximately RMB54,241,000 (2022: RMB97,014,000).
- As at 31 December 2023, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 37.76% (2022: 21.96%).
- As at 31 December 2023, the Group had a current ratio (i.e. the ratio of current assets to current liabilities) of approximately 2.51 (2022: 4.09).
- The Group's exposure to foreign currency risk was 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 2023, the Group's bills receivable amounting to approximately RMB1,960,000 (2022: nil) were pledged to secure bank borrowings of approximately RMB1,960,000 (2022:nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group has no material contingent liabilities (2022: nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during each of the two years ended 31 December 2023. 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 2023 and 2022.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/status in sales contract

During the reporting year, the Group's trading of hardware and computer software business maintained close cooperation with well-known hardware and software vendors in the industry. After the decision to terminate the smart and safe campus services project in the fourth quarter, it focused on expanding computer hardware sales services and system integration services and was encouraged to develop new customers, and has yielded results in improving the situation of customer concentration, laying a solid foundation for the stable development of the business. The construction service contracts of the Group's provision of smart city solutions business were being implemented in and outside Zhejiang Province as planned, and the Group has established good cooperative relationships with customers in the local city, providing 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., to cater for customer needs. At the same time, business contracts and orders in many other cities in provinces such as Shanxi Province, Shandong Province and Jiangxi Province in China were procured by way of strategic cooperation. Although the Group was unable to achieve a satisfactory volume of business orders from new customers during the reporting year, the number of potential customers has increased significantly through the enhancement of its salesforce, thus building a good base for the subsequent procurement of new contracts and orders. The Group's provision of e-commerce operation solution services business 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, concentrating resources and advantages to achieve effective breakthroughs in transformation. 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 and/or new products, and strive to build a sustainable business ecology.

On the one hand, the Group will follow the development trend of construction of "digital China (數字中國)" and promoting "digital governance (數字治理)" in 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” that are convenient and beneficial to the people, provide better solutions for the advancement and improvement of their social governance and city management services, and drive the development of new customers and excavation of old customers of the business.

On the other hand, the Group will continue its cultivation in operation services. In particular, the Group will continue to promote the output of operation services for 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.

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 and strengthen the expansion of system integration services. The Group also vigorously promotes internal business collaboration, establishes an internal benefit sharing mechanism, encourages the business team to seek other supporting service opportunities with the help of the market development of the provision of smart city solutions business, and, at the same time, it was decided to terminate the smart and safe campus services project and encourage the business team to help promote market opportunities for new applications of the provision of smart city solutions business based on its own advantages.

The Group will, in accordance with the newly revised “Fourteenth Five-Year” strategic development plan, 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 acquisitions of and investments in new businesses and new projects in order to achieve an 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 various business sectors, 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 characteristics. The Group’s sustainable profitability in the field of mobile Internet services will be formed which will create more business value for the Shareholders and community.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2023 have been reviewed and approved by the Company's audit committee.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 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 2023 (2022: nil).

CORPORATE GOVERNANCE

The Company has adopted and complied with all code provisions set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) as set forth in Appendix C1 to the GEM Listing Rules, except for the deviation from code provision C.2.1 as explained below, throughout the year ended 31 December 2023.

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.

Mr. Wang Feng is both the chairman (the “**Chairman**”) and chief executive officer (the “**Chief Executive Officer**”) of the Company who is responsible for managing the Board and Group 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 the exercise of power by the Chairman and Chief Executive Officer and protect the interests of the Company and Shareholders. However, the Board will continue to regularly review 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, 26 March 2024

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 Ms. Huang Xuanzhen.

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