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

2024
Interim Report

* For identification purposes only

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*This report, 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 report 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 report misleading.*

HIGHLIGHTS

- Achieved a revenue of approximately RMB78,986,000 for the six months ended 30 June 2024, representing an increase of approximately 114.28% as compared with the revenue for the same period of the year 2023.
- Incurred a loss for the period of approximately RMB7,920,000 for the six months ended 30 June 2024, as compared with the loss for the period of approximately RMB12,132,000 for the same period of the year 2023.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

The board (the "**Board**") of Directors of the Company is pleased to present the interim report of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024.

2024 INTERIM RESULTS

For the six months ended 30 June 2024, the Group recorded an unaudited revenue of approximately RMB78,986,000 (2023: RMB36,861,000), representing an increase of approximately RMB42,125,000 or approximately 114.28%, as compared with the unaudited revenue of the same period of the year 2023.

For the six months ended 30 June 2024, the Group recorded an unaudited loss for the period of approximately RMB7,920,000 (2023: RMB12,132,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2024 together with the unaudited comparative figures for the corresponding period in 2023 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		(unaudited) Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**78,986**	36,861
Cost of sales		**(71,672)**	(33,334)
Gross profit		**7,314**	3,527
Other operating (expenses) income, net gains or losses	*4*	**(1,688)**	(55)
Distribution and selling expenses		**(3,195)**	(3,209)
General and administrative expenses		**(6,533)**	(7,979)
Research and development expenditure		**(3,421)**	(4,305)
Finance costs		**(339)**	(233)
Loss before tax		**(7,862)**	(12,254)
Income tax (expenses) credit	*5*	**(58)**	122
Loss and total comprehensive expense for the period	*6*	**(7,920)**	(12,132)
Loss per share			
Basic and diluted *(RMB)*	*9*	**(1.56) cents**	(2.40) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	(unaudited) 30 June 2024 RMB'000	(audited) 31 December 2023 RMB'000
Non-current assets			
Plant and equipment		**2,256**	2,660
Deferred tax assets		**259**	259
Loan receivable		**1,594**	1,594
		4,109	4,513
Current assets			
Inventories		**8,623**	17,105
Trade and bills receivables	*10*	**36,972**	39,860
Prepayments and other receivables		**4,493**	5,559
Contract assets		**4,735**	4,800
Bank balances and cash		**15,587**	15,308
		70,410	82,632
Current liabilities			
Trade and other payables	*11*	**14,794**	19,904
Contract liabilities		**1,306**	1,040
Bank borrowings		**12,098**	11,960
		28,198	32,904

	Notes	(unaudited) 30 June 2024 RMB'000	(audited) 31 December 2023 RMB'000
Net current assets		**42,212**	49,728
Total assets less current liabilities		**46,321**	54,241
Capital and reserves			
Paid-in capital		**50,655**	50,655
Reserves		**(4,334)**	3,586
Total equity		**46,321**	54,241

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	(unaudited)				
	Paid-in capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2024	**50,655**	**101,336**	**13,767**	**(111,517)**	**54,241**
Loss for the period	**–**	**–**	**–**	**(7,920)**	**(7,920)**
Balance as at 30 June 2024	**50,655**	**101,336**	**13,767**	**(119,437)**	**46,321**
Balance as at 1 January 2023	50,655	101,336	13,767	(68,744)	97,014
Loss for the period	–	–	–	(12,132)	(12,132)
Balance as at 30 June 2023	50,655	101,336	13,767	(80,876)	84,882

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	(unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Net cash inflow (outflow) from operating activities	**440**	(9,111)
Net cash inflow from investing activities	**12**	9,842
Net cash outflow from financing activities	**(173)**	(230)
Net increase in cash and cash equivalents	**279**	501
Cash and cash equivalents at beginning of period	**15,308**	23,022
Cash and cash equivalents at end of period	**15,587**	23,523

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") on 20 September 2001 and its H shares (the "**H Shares**") were listed on GEM on 3 May 2002.

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" published by the International Accounting Standards Board and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements were consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2023.

3. REVENUE AND SEGMENT INFORMATION

For the six months ended 30 June 2024 and 2023, revenue comprised income from trading of hardware and computer software and provision of smart city solutions.

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 executive 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. Trading of hardware and computer software

2. Provision of smart city solutions

3. Provision of e-commerce operation solution services

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments, and geographical information.

(i) Segment revenue and results

	Trading of hardware and computer software		Provision of smart city solutions		Provision of e-commerce operation solution services		Consolidated	
	(unaudited) Six months ended 30 June							
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue – external customers	**71,666**	28,290	**7,320**	8,571	**-**	–	**78,986**	36,861
Segment results	**3,073**	(1,596)	**(8,590)**	(8,118)	**-**	–	**(5,517)**	(9,714)
Unallocated other operating (expenses) income, net gains or losses							**113**	473
Unallocated expenses							**(2,458)**	(3,013)
Loss before tax							**(7,862)**	(12,254)

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

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

(ii) Segment assets and liabilities

	Trading of hardware and computer software		Provision of smart city solutions		Provision of e-commerce operation solution services		Consolidated	
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
	As at 30 June 2024	As at 31 December 2023	**As at 30 June 2024**	As at 31 December 2023	**As at 30 June 2024**	As at 31 December 2023	**As at 30 June 2024**	As at 31 December 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**38,954**	45,903	**15,304**	17,548	**1**	1	**54,259**	63,452
Unallocated assets							**20,260**	23,693
Total assets							**74,519**	87,145
Segment liabilities	**19,444**	23,899	**8,339**	8,534	**415**	471	**28,198**	32,904

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.
- all liabilities were allocated to reportable segments.

(iii) Geographical information

Both revenue and non-current assets of the Group were derived from or located in the PRC. Accordingly, no geographical information was presented.

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

	(unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Government grants *(Note)*	**21**	29
Foreign exchange gain (losses), net	**23**	(12)
Bank interest income	**59**	205
Impairment loss of trade and bills receivables	**(1,791)**	(557)
Loan interest income	**–**	275
Others	**–**	5
	(1,688)	(55)

Note: Government grants received during the six months ended 30 June 2024 and 2023 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)

	(unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax expense		
PRC Enterprise Income Tax ("**EIT**")	**70**	–
Over provision in prior reporting periods	**(12)**	(2)
	58	(2)
Deferred tax	**–**	(120)
	58	(122)

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 six months ended 30 June 2024 (2023: 25%). One of the subsidiaries of the Group was subject to EIT at a rate of 15% for the six months ended 30 June 2024 (2023: 15%), 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 six months ended 30 June 2024 (2023: 5%), as it was classified as a Small and Low Profit Enterprise* (小型微利企業).

For the six months ended 30 June 2024, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Group established in Hong Kong (2023: nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the period (2023: nil).

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	(unaudited) Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation of plant and equipment	**394**	455
Amortisation of intangible assets	**–**	25

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: nil).

8. RESERVES

Other than those disclosed in the condensed consolidated statement of changes in equity, there were no movements in the reserves of the Group for the six months ended 30 June 2024 and 2023.

9. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2024 was based on the loss for the period of approximately RMB7,920,000 (2023: RMB12,132,000) and approximately 506,546,000 (2023: 506,546,000) shares in issue during the period.

Diluted loss per share was the same as basic loss per share for the six months ended 30 June 2024 and 2023 as there were no potential ordinary shares existed during the periods.

10. TRADE AND BILLS RECEIVABLES

	(unaudited) 30 June 2024 RMB'000	(audited) 31 December 2023 RMB'000
Trade and bills receivables at amortised cost	**52,289**	53,286
Less: allowance for impairment loss	**(15,317)**	(13,426)
	36,972	39,860

As at 30 June 2024, bills receivable of approximately RMB2,098,000 (31 December 2023: RMB1,960,000) were pledged to secure bank borrowings of approximately RMB2,098,000 (31 December 2023: RMB1,960,000).

There were no specific credit periods granted to customers except for an average credit period of 30 – 90 days (31 December 2023: 30 – 90 days) to the Group's trade customers under trading of hardware and computer software business segment. Aging 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 approximated to revenue recognition date is as follows:

	(unaudited) **30 June** **2024** ***RMB'000***	(audited) 31 December 2023 *RMB'000*
0 to 90 days	**30,283**	28,007
91 to 180 days	**105**	348
Over 180 days	**6,584**	11,505
	36,972	39,860

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

11. TRADE AND OTHER PAYABLES

	(unaudited) **30 June** **2024** ***RMB'000***	(audited) 31 December 2023 *RMB'000*
Trade payables	**11,297**	15,537
Other payables and accruals	**3,497**	4,367
	14,794	19,904

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

	(unaudited) **30 June** **2024** ***RMB'000***	(audited) 31 December 2023 *RMB'000*
Less than 1 year	**7,812**	11,709
Over 1 year but less than 2 years	**15**	2,792
Over 2 years but less than 3 years	**2,637**	543
More than 3 years	**833**	493
	11,297	15,537

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF OPERATIONS

1. Operating results

(i) Overview

The Group has been principally engaged in (i) the trading of hardware and computer software; (ii) the provision of smart city solutions; and (iii) the provision of e-commerce operation solution services (this business segment has suspended the original 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. However, the characteristics of the provision of smart city solutions business of the Group was project based. Currently the main revenue of the business has come from specific projects and the income depended on the obtaining of project orders, contract amounts of orders obtained and progress of projects and, therefore, there would be fluctuations.

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

(ii) Revenue

For the six months ended 30 June 2024, (i) the trading of hardware and computer software business generated revenue of approximately RMB71,666,000 (2023: RMB28,290,000), representing approximately 153.33% increase, when compared to the same period of last year. The main reason for the substantial increase in revenue from the business was that since the fourth quarter of last year, demand from major customers has increased significantly, and the Group's goods delivery volume has grown significantly; (ii) the provision of smart city solutions business generated revenue of approximately RMB7,320,000 (2023: RMB8,571,000), representing approximately 14.60% decrease, when compared to the same period of last year. The business focused on construction projects currently. Due to the differences in the contract amounts for the projects under construction and progress of the projects in each reporting period, there would be certain fluctuations in the amount of revenue recognised in the respective reporting periods. The Group has been actively strengthening market development and seeking new business orders. The Group has also been actively expanding operation services to enhance the stable income capability of the business; and (iii) the provision of e-commerce operation solution services business did not generate revenue (2023: nil). The business suspended its original business 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 six months ended 30 June 2024, the unaudited revenue of the Group was approximately RMB78,986,000 (2023: RMB36,861,000), representing an increase of approximately RMB42,125,000, or approximately 114.28%, as compared with that of the same period of the year 2023.

(iii) Gross profit margin

For the six months ended 30 June 2024, (i) the gross profit margin of the trading of hardware and computer software business was approximately 7.88% (2023: 4.51%). During the reporting period, the Group strived to continuously adjust the sales strategy and sales structure of this business, increasing the sales of brands and products with higher gross profit margins, while decreasing the sales of brands and products with low gross profit margins, and increasing sales to premium customers with high gross profit margins to improve gross profit margin; (ii) the gross profit margin of the provision of smart city solutions business was approximately 22.77% (2023: 26.26%). The gross profit margin of this business was affected by the gross profit margins of related projects carried out during the respective reporting periods, 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 (2023: nil). The business suspended its original business and is seeking other suitable business opportunities.

The unaudited gross profit margin of the Group for the six months ended 30 June 2024 was approximately 9.26% (2023: 9.57%).

(iv) Loss for the period

For the six months ended 30 June 2024, (i) the trading of hardware and computer software business reported segment profit of approximately RMB3,073,000 (2023: loss of RMB1,596,000). This business segment mainly benefited from the substantial growth in sales revenue in the first half of the year, increase in gross profit, and the fact that it was no longer affected by the continued loss-making smart and safe campus business; (ii) the provision of smart city solutions business reported segment loss of approximately RMB8,590,000 (2023: RMB8,118,000); and (iii) the provision of e-commerce operation solution services business suspended its original business and did not record segment results (2023: nil). For the six months ended 30 June 2024, the net unallocated expenses of the Group were approximately RMB2,345,000 (2023: RMB2,540,000).

As a result of the cumulative effect of the principal factors described above, for the six months ended 30 June 2042, the Group reported an unaudited loss for the period and loss per share of approximately RMB7,920,000 (2023: RMB12,132,000) and RMB1.56 cents (2023: RMB2.40 cents), respectively.

Though the financial performance of the Group for the six months ended 30 June 2024 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.

2. Business and product development

During the reporting period, the Group (i) performed a good work on the prevention and control of inventory and trade receivable risks in the trading of hardware and computer software business, pooled resources to continuously adjust the sales strategy and sales structure, maintained the existing 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 relatively good results were achieved; (ii) actively grasped the opportunities of domestic smart cities construction and development in the provision of smart city solutions business, strengthened the construction of the functional system of the marketing centre and improved the strength of the sales force, leveraged external resources and cooperations, strengthened internal coordination, seized market opportunities such as the domestic promotion of "digital governance (數字治理)", comprehensive promotion of the "Resident Service Card* (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 period, the business actively explored new markets outside the province such as Jiangxi Province, Henan Province and Hubei Province, conducted market research and analysis, promoted leveraging development, focused on cooperation and innovation, and worked with strategic partners to promote market development 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. In the first half of the year, eight product directions suitable for expansion were selected, including smart parks, smart senior care, smart communities, smart party building, etc.; and (iii) continued suspending the operation of the original traditional provision of e-commerce supply chain services business in the provision of e-commerce operation solution services business, and seek new business opportunities that can generate revenue for the Group.

3. Investment and cooperation

(i) Business investments and cooperation

During the reporting period, the Group has been constantly seeking suitable investment opportunities or business cooperation opportunities, including opportunities for expansion of existing businesses and other potential new business opportunities suitable for the Group's development. However, there has been no substantial progress up to present.

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

(ii) Investments in wealth management products

During the prior reporting periods, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products issued by Bank of China Limited and Bank of Hangzhou Co., Ltd.* (杭州銀行股份有限公司) (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, and the expected annualised rate of returns were 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. 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.

The Group has not invested in the Wealth Management Products since the second half of last year. As at 30 June 2024 and 31 December 2023, there was no outstanding principal balance of the Wealth Management Products. For the six months ended 30 June 2024, the Group did not realise any income from the investment in the Wealth Management Products (2023: RMB180,000).

During the six months ended 30 June 2024 and 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.

4. Employees information

As at 30 June 2024, the Group had 97 (31 December 2023: 119) employees in total. The staff costs of the Group for the reporting period amounted to approximately RMB13,983,000 (2023: RMB16,934,000). During the reporting period, the Group implemented reduction of staff, improved efficiency, controlled labour costs, and achieved certain results.

The Group's human resources management strategy was formulated in accordance with the Group's development strategy as guideline on the one hand and with the goals stipulated in the long-term vision planning as direction on the other. At the same time, incentive 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 skill 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 employee share scheme or bonus plan.

II. REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the six months ended 30 June 2024, the Group's revenue amounted to approximately RMB78,986,000 (2023: RMB36,861,000).

- For the six months ended 30 June 2024, the Group's gross profit margin was approximately 9.26% (2023: 9.57%).

- For the six months ended 30 June 2024, the Group had a loss for the period of approximately RMB7,920,000 (2023: RMB12,132,000).

- For the six months ended 30 June 2024, the Group's loss per share was approximately RMB1.56 cents (2023: RMB2.40 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the six months ended 30 June 2024, the Group was mainly financed by proceeds generated from daily operations, other internal resources and bank borrowings.

- As at 30 June 2024, the Group had inventories of approximately RMB8,623,000 (31 December 2023: RMB17,105,000). The decrease in the Group's inventories during the reporting period was mainly due to the decrease in inventories in the trading of hardware and computer software business segment.

- As at 30 June 2024, the Group had prepayments and other receivables of approximately RMB4,493,000 (31 December 2023: RMB5,559,000). The decrease in the Group's prepayments and other receivables during the reporting period was mainly attributable to the decrease in deductible input value-added tax in the trading of hardware and computer software business segment.

- As at 30 June 2024, the Group had bank balances and cash of approximately RMB15,587,000 (31 December 2023: RMB15,308,000). The bank balances and cash to total assets and net asset ratios as at 30 June 2024 were approximately 20.92% (31 December 2023: 17.57%) and 33.65% (31 December 2023: 28.22%), respectively.

- As at 30 June 2024, the Group had trade and other payables of approximately RMB14,794,000 (31 December 2023: RMB19,904,000). During the reporting period, the Group's trading of hardware and computer software business segment recovered funds from trade receivables and inventories and paid trade payables, resulting in a decrease in trade payables.

- As at 30 June 2024, the Group had contract liabilities of approximately RMB1,306,000 (31 December 2023: RMB1,040,000). The increase in the Group's contract liabilities during the reporting period was mainly attributable to the increase in advance payments from customers for bulk purchases in the trading of hardware and computer software business segment.

- As at 30 June 2024, the Group had total assets of approximately RMB74,519,000 (31 December 2023: RMB87,145,000).

- As at 30 June 2024, the Group had total liabilities of approximately RMB28,198,000 (31 December 2023: RMB32,904,000).

- As at 30 June 2024, the Group had current assets of approximately RMB70,410,000 (31 December 2023: RMB82,632,000).

- As at 30 June 2024, the Group had current liabilities of approximately RMB28,198,000 (31 December 2023: RMB32,904,000).

- As at 30 June 2024, the Group had total equity of approximately RMB46,321,000 (31 December 2023: RMB54,241,000).

- As at 30 June 2024, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 37.84% (31 December 2023: 37.76%).

- As at 30 June 2024, the Group had a current ratio (i.e. the ratio of current assets to current liabilities) of approximately 2.50 (31 December 2023: 2.51).

- The Group's exposure to foreign currency risk related principally to its bank balances, trade and bills receivables, other receivables and trade and other payables denominated in foreign currencies other than the functional currency of the relevant group entity. The Group currently does not have a foreign currency hedging policy. However, the Directors have continuously monitored the related foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

- As at 30 June 2024, the Group's bills receivable amounting to approximately RMB2,098,000 (31 December 2023: RMB1,960,000) were pledged to secure banking borrowings of approximately RMB2,098,000 (31 December 2023: RMB1,960,000).

III. CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the six months ended 30 June 2024 (year ended 31 December 2023: nil). The registered capital of the Company was RMB50,654,617, comprising 244,421,170 domestic shares (the "**Domestic Shares**") of the Company of nominal value of RMB0.10 each and 262,125,000 H Shares of nominal value of RMB0.10 each, as at 30 June 2024 and 31 December 2023.

IV. FUTURE PROSPECTS

1. Order backlog/sales contracts

During the reporting period, 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 of the year 2023, it concentrated resources to develop computer hardware sales services and system integration services and encouraged the development of new customers, achieving certain results and significant increase in business orders, 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 many places in and outside Zhejiang Province as planned, and the Group has established good cooperative relationships with customers in the local cities and explored customer needs, providing smart city solution products and services such as the "Digital Citizen and Citizen Card Service Platform*", "Resident Service Card*" and "One-stop City* (一碼通城)", etc. At the same time, business contracts and orders in many other cities in other provinces such as Jiangxi Province, Jilin Province and Hubei Province in China were procured by way of strategic cooperation and other means. Although the Group was unable to achieve a satisfactory volume of business orders from new customers during the reporting period, the number of potential customers has increased significantly through the enhancement of its salesforce and in-depth market research, and it is expected that it will be converted into continuous 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 new products

During the reporting period, 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 technical advantages, integrate and optimise resources, carry out innovative development of new businesses and/or new products, and strive to build a sustainable business ecology. At the same time, due to the current surge in market economic pressure, the Group will be more cautious to ensure the success rate of transformation.

On the one hand, the Group will follow the development trend of the country's increasing emphasis on the construction of "digital China (數字中國)" and vigorous promotion of "digital governance (數字治理)" 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*", "Resident Service Card*", "One-stop City*" 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 parks, smart trade unions, smart communities, digital villages 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*" and "Resident Service Card*", 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 development 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 encourages the business team to help promote market opportunities for new applications of the provision of smart city solutions business based on its own advantages. Collaborative projects that have already been implemented are currently being implemented and are expected to become replicable models.

The Group will, in accordance with the newly revised "Fourteenth Five-Year" strategic development plan, actively and steadily advance related work, 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 the Group's 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 to reward the Shareholders and society.

FINANCIAL ASSISTANCE TO AN ENTITY

The Group completed the disposal (the "**Disposal**") of all its equity interests in Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) ("**Zhejiang Dianshi**") in the year 2022 and ceased the provision of maternal and infant community marketing services business. As at the date of the equity transfer agreement relating to the Disposal, Zhejiang Dianshi was indebted to the Group in the amount of RMB11,000,000 (the "**Debt**"). The Debt was unsecured and should be fully repaid by 31 December 2025, and the Group may require Zhejiang Dianshi to repay the Debt in advance through litigation and other means in certain circumstances. Interest is charged on the Debt at the rate of 5% per annum until the Debt is fully settled by Zhejiang Dianshi. The Debt 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**") were held by the Group, for the Disposal Group's ordinary working capital purposes, and was not settled after the completion of the Disposal. The Company considered that if Zhejiang Dianshi were required to repay the Debt prior to the Disposal or immediately after the completion of the Disposal, the repayment of the Debt would have affected the working capital requirements for normal operations of the Disposal Group. The Directors expected that the Disposal Group will achieve an improved financial performance under the purchaser's management and control, and seek settlement of the Debt. Since Zhejiang Dianshi ceased to be a subsidiary of the Company after the completion of the Disposal, the Debt constituted as a financial assistance. As the amount of the financial assistance exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules, the Debt was subject to the general disclosure obligations under Rules 17.15 and 17.17 of the GEM Listing Rules. Details of the Debt were set out in the announcement of the Company dated 6 September 2022.

As at 30 June 2024, the Debt was classified as loan receivable in the Group's consolidated statement of financial position, with a carrying amount of approximately RMB1,594,000 (31 December 2023: RMB1,594,000), net of accumulated allowance for impairment loss of approximately RMB9,406,000 (31 December 2023: RMB9,406,000), representing approximately 2.14% (31 December 2023: 1.83%) of the Group's total assets.

Save as disclosed herein, the Group had no financial assistances to entities and/or loans receivable which were required to be disclosed in accordance with the requirements of the GEM Listing Rules as at 30 June 2024 and 31 December 2023.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 30 June 2024, none of the Directors, supervisors or chief executives of the Company had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")) which were required (a) pursuant to Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Capacity and nature of interests	Number of shares held	Percentage of beneficial interests in the Company's share capital
Director and vice chairman			
Mr. Chen Ping	Beneficial owner	27,294,240 Domestic Shares	5.39%

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

For the six months ended 30 June 2024, none of the Directors, supervisors or chief executives of the Company was granted options to subscribe for the shares of the Company (2023: nil). As at 30 June 2024, none of the Directors, supervisors or chief executives of the Company or any of their spouses and children under 18 years of age had any interests in, or had been granted any interests in, or had been granted, or exercised, had any rights to subscribe for the shares (or warrants or debentures, if applicable) of the Company or to acquire the shares of the Company (31 December 2023: nil).

INTERESTS DISCLOSABLE UNDER THE SFO AND THE SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives of the Company, as at 30 June 2024, there were no persons or companies (other than the interests as disclosed above held by the Directors) who had equity interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meetings of the Company; or who were Shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in shares

Name	Capacity and nature of interests	Number of shares held	Percentage of beneficial interests in the Company's share capital
Substantial Shareholders			
Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司) ("**Zhejiang Shenghua**")	Beneficial owner and interests of a controlled corporation	193,316,930 Domestic Shares *(Note 1)* and 117,600,000 H Shares *(Note 2)*	61.38%
Rise Sea Limited ("**Rise Sea**")	Beneficial owner	117,600,000 H Shares *(Note 2)*	23.22%
Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司) ("**Deqing Huisheng**")	Interests of a controlled corporation	193,316,930 Domestic Shares *(Note 1)* and 117,600,000 H Shares *(Note 2)*	61.38%
Mr. Xia Shilin	Interests of a controlled corporation	193,316,930 Domestic Shares *(Note 1)* and 117,600,000 H Shares *(Note 2)*	61.38%

Name	Capacity and nature of interests	Number of shares held	Percentage of beneficial interests in the Company's share capital
Ms. Qian Xiaomei	Interests of spouse	193,316,930 Domestic Shares and 117,600,000 H Shares *(Note 3)*	61.38%
Other persons			
Mr. Wu Menggen	Beneficial owner	21,000,000 Domestic Shares and 12,800,000 H Shares	6.67%
Ms. Dai Jihong	Interests of spouse	21,000,000 Domestic Shares and 12,800,000 H Shares *(Note 4)*	6.67%

Notes:

(1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 193,316,930 Domestic Shares. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, a limited company established in the PRC, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 193,316,930 Domestic Shares owned by Zhejiang Shenghua.

(2) These 117,600,000 H Shares are beneficially owned by Rise Sea. Rise Sea is a limited company incorporated in Hong Kong and is wholly-owned by Zhejiang Shenghua. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Zhejiang Shenghua, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 117,600,000 H Shares owned by Rise Sea.

(3) Ms. Qian Xiaomei is the spouse of Mr. Xia Shilin and, therefore, she and Mr. Xia Shilin are deemed to be interested in each other's shares under the SFO.

(4) Ms. Dai Jihong is the spouse of Mr. Wu Menggen and, therefore, she and Mr. Wu Menggen are deemed to be interested in each other's shares under the SFO.

COMPETING INTERESTS

None of the Directors or management Shareholders and their respective associates (as defined under the GEM Listing Rules) had any interests in a business which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee in November 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The current audit committee of the Company comprises two independent non-executive Directors, Ms. Huang Xuanzhen and Mr. Cai Jiamei, and one non-executive Director, Mr. Chen Ping, with Ms. Huang Xuanzhen as the chairman.

The condensed interim financial statements and interim report of the Group for the six months ended 30 June 2024 have not been audited or reviewed by the Company's auditor, but have been reviewed by the Company's audit committee.

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 six months ended 30 June 2024 (2023: nil).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2024, the Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard of dealings and code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2024.

CORPORATE GOVERNANCE

The Company has adopted and compiled with all code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix C1 to the GEM Listing Rules, except for the deviation from code provision C.2.1 as explained below, throughout the six months ended 30 June 2024.

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
Shenghua Lande Scitech Limited*
Wang Feng
Chairman and Chief Executive Officer

Hangzhou City, the PRC, 23 August 2024

* *For identification purposes only*