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

2023

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 from continuing operations of approximately RMB36,861,000 for the six months ended 30 June 2023, representing an approximately 43.78% decrease as compared with the revenue from continuing operations for the same period of the year 2022.

- Incurred a net loss attributable to owners of the Company from continuing operations of approximately RMB12,132,000 for the six months ended 30 June 2023, as compared with the net loss attributable to owners of the Company from continuing operations of approximately RMB9,393,000 (restated) incurred for the same period of the year 2022.

- Did not record any results attributable to owners of the Company from discontinued operation for the six months ended 30 June 2023, as compared with the net loss attributable to owners of the Company from discontinued operation of approximately RMB5,969,000 (restated) for the same period of the year 2022.

- Incurred a net loss attributable to owners of the Company from continuing and discontinued operations of approximately RMB12,132,000 for the six months ended 30 June 2023, as compared with the net loss attributable to owners of the Company from continuing and discontinued operations of approximately RMB15,362,000 incurred for the same period of the year 2022.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

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 2023.

2023 INTERIM RESULTS

For the six months ended 30 June 2023, the Group recorded an unaudited revenue from continuing operations of approximately RMB36,861,000 (2022: RMB65,564,000 (restated)), representing a decrease of approximately RMB28,703,000, or approximately 43.78%, as compared with the unaudited revenue from continuing operations for the same period of the year 2022.

For the six months ended 30 June 2023, the Group recorded an unaudited net loss attributable to owners of the Company from continuing operations of approximately RMB12,132,000 (2022: RMB9,393,000 (restated)).

For the six months ended 30 June 2023, the Group did not record any unaudited results attributable to owners of the Company from discontinued operation (2022: loss of RM5,969,000 (restated)).

For the six months ended 30 June 2023, the Group recorded an unaudited net loss attributable to owners of the Company from continuing and discontinued operations of approximately RMB12,132,000 (2022: RMB15,362,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2023

	Notes	(unaudited) For the six months ended 30 June 2023 RMB'000	(unaudited) For the six months ended 30 June 2022 RMB'000 (Restated)	(unaudited) For the three months ended 30 June 2023 RMB'000	(unaudited) For the three months ended 30 June 2022 RMB'000 (Restated)
Continuing operations					
Revenue	3	**36,861**	65,564	**21,231**	37,954
Cost of sales		**(33,334)**	(59,916)	**(18,753)**	(34,104)
Gross profit		**3,527**	5,648	**2,478**	3,850
Other operating (expenses) income, net gains or losses	4	**(55)**	3,278	**740**	980
Distribution and selling expenses		**(3,209)**	(2,974)	**(1,701)**	(1,610)
General and administrative expenses		**(7,979)**	(10,027)	**(1,775)**	(932)
Research and development expenditure		**(4,305)**	(5,104)	**(2,041)**	(2,795)
Finance costs		**(233)**	(123)	**(134)**	(112)
Loss before tax		**(12,254)**	(9,302)	**(2,433)**	(619)
Income tax	5	**122**	(91)	**(36)**	(89)
Loss and total comprehensive expense for the period from continuing operations	6	**(12,132)**	(9,393)	**(2,469)**	(708)
Discontinued operation	7				
Loss for the period from discontinued operation		**–**	(19,404)	**–**	(10,042)
Loss and total comprehensive expense for the period		**(12,132)**	(28,797)	**(2,469)**	(10,750)

	Notes	(unaudited) For the six months ended 30 June 2023 RMB'000	2022 RMB'000 (Restated)	(unaudited) For the three months ended 30 June 2023 RMB'000	2022 RMB'000 (Restated)
Loss and total comprehensive expense for the period attributable to owners of the Company					
– from continuing operations		**(12,132)**	(9,393)	**(2,469)**	(708)
– from discontinued operation		**–**	(5,969)	**–**	(3,116)
Loss and total comprehensive expense for the period attributable to owners of the Company		**(12,132)**	(15,362)	**(2,469)**	(3,824)
Loss and total comprehensive expense for the period attributable to non-controlling interests					
– from continuing operations		**–**	–	**–**	–
– from discontinued operation		**–**	(13,435)	**–**	(6,926)
Loss and total comprehensive expense for the period attributable to non-controlling interests		**–**	(13,435)	**–**	(6,926)
		(12,132)	(28,797)	**(2,469)**	(10,750)
Loss per share	*10*				
From continuing and discontinued operations Basic and diluted *(RMB)*		**(2.40) cents**	(3.03) cents	**(0.49) cents**	(0.75) cents
From continuing operations Basic and diluted *(RMB)*		**(2.40) cents**	(1.85) cents	**(0.49) cents**	(0.14) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	(unaudited) 30 June 2023 RMB'000	(audited) 31 December 2022 RMB'000
Non-current assets			
Plant and equipment		**3,306**	3,032
Intangible assets		**–**	25
Deferred tax assets		**1,054**	934
Goodwill		**1,856**	1,856
Loan receivable		**6,849**	6,849
		13,065	12,696
Current assets			
Inventories		**11,751**	7,295
Trade receivables	*11*	**46,072**	53,966
Prepayments and other receivables		**4,891**	4,753
Contract assets		**4,531**	4,551
Financial assets at fair value through profit or loss		**7,552**	18,035
Bank balances and cash		**23,523**	23,022
		98,320	111,622

	Notes	(unaudited) 30 June 2023 RMB'000	(audited) 31 December 2022 RMB'000
Current liabilities			
Trade and other payables	12	**16,400**	16,661
Contract liabilities		**103**	643
Bank borrowings		**10,000**	10,000
		26,503	27,304
Net current assets		**71,817**	84,318
Net assets		**84,882**	97,014
Capital and reserves			
Paid-in capital		**50,655**	50,655
Reserves		**34,227**	46,359
Equity attributable to owners of the Company		**84,882**	97,014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	(unaudited)						
	Paid-in capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Accumulated losses *RMB'000*	Equity attributable to owners of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance as at 1 January 2023	**50,655**	**101,336**	**13,767**	**(68,744)**	**97,014**	**-**	**97,014**
Loss and total comprehensive expense for the period	**-**	**-**	**-**	**(9,663)**	**(9,663)**	**-**	**(9,663)**
Balance as at 31 March 2023	**50,655**	**101,336**	**13,767**	**(78,407)**	**87,351**	**-**	**87,351**
Loss and total comprehensive expense for the period	**-**	**-**	**-**	**(2,469)**	**(2,469)**	**-**	**(2,469)**
Balance as at 30 June 2023	**50,655**	**101,336**	**13,767**	**(80,876)**	**84,882**	**-**	**84,882**
Balance as 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 period	-	-	-	(11,538)	(11,538)	(6,509)	(18,047)
Balance as at 31 March 2022	50,655	101,336	13,767	(64,114)	101,644	(14,215)	87,429
Loss and total comprehensive expense for the period	-	-	-	(3,824)	(3,824)	(6,926)	(10,750)
Balance as at 30 June 2022	50,655	101,336	13,767	(67,938)	97,820	(21,141)	76,679

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	(unaudited) For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Net cash outflow from operating activities	**(9,111)**	(33,750)
Net cash inflow from investing activities	**9,842**	1,462
Net cash (outflow) inflow from financing activities	**(230)**	19,387
Net increase (decrease) in cash and cash equivalents	**501**	(12,901)
Cash and cash equivalents at beginning of period	**23,022**	41,812
Cash and cash equivalents at end of period	**23,523**	28,911

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 under 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 2022.

3. REVENUE AND SEGMENT INFORMATION

Continuing operations

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

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 are as follows:

1. Trading of hardware and computer software

2. Provision of smart city solutions

3. Provision of e-commerce operation solution services

Discontinued operation

An operation regarding the provision of self-developed e-commerce platform services, which was included in the segment of provision of e-commerce operation solution services, was discontinued during the year ended 31 December 2022. The segment information reported in this note did not include any amounts for this discontinued operation, which was described in more details in note 7.

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

(i) Segment revenues and results

Continued operations

	(unaudited)							
	Trading of hardware and computer software		Provision of smart city solutions		Provision of e-commerce operation solution services		Consolidated	
	For the six months ended 30 June							
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Segment revenue – external customers	**28,290**	56,478	**8,571**	8,654	**-**	432	**36,861**	65,564
Segment results	**(1,596)**	942	**(8,118)**	(7,659)	**-**	(382)	**(9,714)**	(7,099)
Unallocated other operating (expenses) income, net gains or losses							**473**	795
Unallocated expenses							**(3,013)**	(2,998)
Loss before tax (continuing operations)							**(12,254)**	(9,302)

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, finance costs 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) As at 30 June 2023 RMB'000	(audited) As at 31 December 2022 RMB'000	(unaudited) As at 30 June 2023 RMB'000	(audited) As at 31 December 2022 RMB'000	(unaudited) As at 30 June 2023 RMB'000	(audited) As at 31 December 2022 RMB'000	(unaudited) As at 30 June 2023 RMB'000	(audited) As at 31 December 2022 RMB'000
Segment assets	23,625	23,255	50,948	46,864	1	2	74,574	70,121
Unallocated assets							36,811	54,197
Total assets							111,385	124,318
Segment liabilities	17,501	17,559	8,578	9,340	424	405	26,503	27,304

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

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

- all liabilities were allocated to reportable segments.

(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

Continuing operations

	(unaudited) For the six months ended 30 June		(unaudited) For the three months ended 30 June	
	2023 *RMB'000*	2022 *RMB'000* (Restated)	**2023** *RMB'000*	2022 *RMB'000* (Restated)
Government grants *(Note)*	**29**	1,953	**2**	136
Foreign exchange (losses) gain, net	**(12)**	545	**50**	600
Bank interest income	**205**	244	**102**	107
(Impairment loss) reversal of impairment loss of trade receivables, net	**(557)**	530	**444**	131
Loan interest income	**275**	–	**137**	–
Others	**5**	6	**5**	6
	(55)	3,278	**740**	980

Note: Government grants received during the relevant periods in 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

Continuing operations

	(unaudited) For the six months ended 30 June		(unaudited) For the three months ended 30 June	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Current tax credit (expenses)	**122**	(91)	**(36)**	(89)

Under the Enterprise Income Tax (the "**EIT**") Law (the "**EIT Law**") of the PRC and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises for the relevant periods was 25% (2022: 25%). During the relevant periods, one of the subsidiaries of the Group was subject to EIT at a rate of 15% (2022: 15%) as it was classified as a High and New Technology Enterprise* (高新技術企業). During the relevant periods, one of the subsidiaries of the Group was subject to EIT at a rate of 2.5% (2022: 2.5%) for first RMB1 million of profits and 10% (2022: 10%) for above RMB1 million but below RMB3 millions of profits, as it was classified as a Small and Low Profit Enterprise* (小型微利企業).

For the six months and three months ended 30 June 2023, no provision for EIT has been made for the Group as there were no assessable profits derived by the Group. For the six months and three months ended 30 June 2022, provision for EIT has been made for the Group amounting to approximately RMB24,000 and RMB24,000, respectively. The representative office set up in Hangzhou City by the subsidiary of the Group established in Hong Kong was deregistered in 2022 and no income tax charges were incurred for the relevant periods. For the six months and three months ended 30 June 2022, the representative office paid income tax expenses pursuant to domestic tax law of approximately RMB2,000 and nil, respectively. For the six months and three months ended 30 June 2023, the Group had written back the provision of EIT after the final settlement of the 2022 income tax of approximately RMB2,000 (2022: RMB14,000) and RMB2,000 (2022: RMB14,000), respectively. For the six months and three months ended 30 June 2023, the Group had accounted for deferred tax credit of approximately RMB120,000 (2022: expenses of RMB79,000) and deferred tax expenses of RMB38,000 (2022: RMB79,000), respectively.

During the relevant periods, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Group established in Hong Kong (2022: nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the relevant periods (2022: nil).

6. LOSS FOR THE PERIOD

Continuing operations

Loss for the relevant periods has been arrived at after charging:

	(unaudited) For the six months ended 30 June		(unaudited) For the three months ended 30 June	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Depreciation of plant and equipment	**455**	401	**196**	213
Depreciation of right-of-use assets	**–**	717	**–**	360
Amortisation of intangible assets	**25**	151	**–**	76

7. DISCONTINUED OPERATION

On 6 September 2022, the Company entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which the Company agreed to dispose of its entire 41% equity interests in Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) ("**Zhejiang Dianshi**"), including its subsidiaries, together with all benefits and title therein, at the consideration of RMB1.00 to an independent third party (the "**Disposal**"). The completion (the "**Completion**") of the Disposal took place on 10 October 2022. Following the Completion, the Group discontinued its provision of maternal and infant community marketing services business and provision of self-developed e-commerce platform services. The details of the Equity Transfer Agreement and Disposal were set out in the Company's announcement dated 6 September 2022, circular dated 25 November 2022 and annual report for 2022 dated 21 March 2023.

The results for the six months and three months ended 30 June 2023 from discontinued operation were set out below:

	(unaudited) For the six months ended 30 June		(unaudited) For the three months ended 30 June	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Loss for the period from discontinued operation	**–**	(19,404)	**–**	(10,042)

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

9. 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 relevant periods in 2023 and 2022.

10. LOSS PER SHARE

From continuing and discontinued operations

The calculations of the basic loss per share from continuing and discontinued operations were based on the loss for the six months and three months ended 30 June 2023 attributable to owners of the Company of approximately RMB12,132,000 (2022: RMB15,362,000) and RMB2,469,000 (2022: RMB3,824,000), respectively, and the weighted average number of approximately 506,546,000 (2022: 506,546,000) shares in issue during the relevant periods.

Diluted loss per share was the same as basic loss per share for the six months and three months ended 30 June 2023 and 2022 as there were no potential ordinary shares existing during the relevant periods.

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:

	(unaudited) For the six months ended 30 June		(unaudited) For the three months ended 30 June	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Loss for the period attributable to the owners of the Company	**(12,132)**	(15,362)	**(2,469)**	(3,824)
Less: loss for the period from discontinued operation	**–**	(5,969)	**–**	(3,116)
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company from continuing operations	**(12,132)**	(9,393)	**(2,469)**	(708)

	(unaudited) For the six months ended 30 June		(unaudited) For the three months ended 30 June	
	2023	2022	**2023**	2022
	'000	*'000*	***'000***	*'000*
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**506,546**	506,546	**506,546**	506,546

From discontinued operation

No basic and diluted earnings/loss per share from discontinued operation were recorded for the six months and three months ended 30 June 2023. The basic and diluted loss per share from discontinued operation for the six months and three months ended 30 June 2022 was approximately RM1.18 cents (restated) and RMB0.61 cents (restated), respectively, and the calculation of which was based on the loss for the period from discontinued operation of approximately RMB5,969,000 (restated) and RMB3,116,000 (restated), respectively, and the denominators detailed above for both basic and diluted loss per share.

11. TRADE RECEIVABLES

	(unaudited) 30 June 2023 *RMB'000*	(audited) 31 December 2022 *RMB'000*
Trade receivables at amortised cost	**51,681**	59,019
Less: allowance for impairment loss	**(5,609)**	(5,053)
	46,072	53,966

There were no specific credit periods granted to customers except for an average credit period of 30-90 days (31 December 2022: 30-90 days) to the Group's trade customers under trading of hardware and computer software segment. Aging analysis of the trade receivables, net of allowance for impairment loss, as at the end of reporting period, presented based on the invoice date, which approximate to revenue recognition date, is as follows:

	(unaudited) 30 June 2023 *RMB'000*	(audited) 31 December 2022 *RMB'000*
0 to 90 days	**13,107**	27,187
91 to 180 days	**88**	691
Over 180 days	**32,877**	26,088
	46,072	53,966

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

12. TRADE AND OTHER PAYABLES

	(unaudited) 30 June 2023 *RMB'000*	(audited) 31 December 2022 *RMB'000*
Trade payables	**12,855**	12,083
Other payables and accruals	**3,545**	4,578
	16,400	16,661

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

	(unaudited) 30 June 2023 *RMB'000*	(audited) 31 December 2022 *RMB'000*
Less than 1 year	**7,886**	10,609
Over 1 year but less than 2 years	**4,054**	703
Over 2 years but less than 3 years	**292**	509
More than 3 years	**623**	262
	12,855	12,083

MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF OPERATIONS

1. Operating results

(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 was project-based. Currently, the main revenue of the business has come from specific projects and the income depended on the obtaining of project orders, contract amounts of orders obtained and progress of projects and, therefore, there would be fluctuations.

In line with industry performance, the Group's hardware and computer software sales and e-commerce trading normally had relatively low gross profit margins. With the continuous optimisation of product structure and sales strategies and the improvement of service levels, the gross profit margins would increase accordingly.

On the other hand, the Group's provision of software development, technical support and various value-added services normally enjoyed relatively higher gross profit margins, which varied among different projects and/or products.

Discontinued operation

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 to 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 preceding year 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 six months and three months ended 30 June 2023, (i) the trading of hardware and computer software business generated revenue of approximately RMB28,290,000 (2022: RMB56,478,000) and RMB15,656,000 (2022: RMB32,543,000), respectively, representing approximately 49.91% and 51.89% decrease, respectively, when compared to the same period of 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 relevant periods, the demand from major customers of the business was insufficient, and highly competitive market has led to unsatisfactory development of new customers, so the revenue decreased significantly year-on-year; (ii) the provision of smart city solutions business generated revenue of approximately RMB8,571,000 (2022: RMB8,654,000) and RMB5,575,000 (2022: RMB5,411,000), respectively, representing approximately 0.96% decrease and 3.03% increase, respectively, when compared to the same period of 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 period, there would be certain fluctuations in the amount of revenue recognised in the respective reporting periods. The Group has 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 has not generated revenue. For the six months and three months ended 30 June 2022, the business generated revenue of approximately RMB432,000 (restated)) and nil (restated), respectively. The business suspended its original traditional business in the first quarter of the year 2022 and is currently looking for other suitable e-commerce services business opportunities to support the output of operation services of the provision of smart city solutions business.

For the six months ended 30 June 2023, the unaudited revenue of the Group was approximately RMB36,861,000 (2022: RMB65,564,000 (restated)), representing a decrease of approximately RMB28,703,000, or approximately 43.78%, as compared with that of the same period of the year 2022. For the three months ended 30 June 2023, the unaudited revenue of the Group was approximately RMB21,231,000 (2022: RMB37,954,000 (restated)), representing a decrease of approximately RMB16,723,000, or approximately 44.06%, as compared with that of the same period of the year 2022.

(iii) *Gross profit margin*

Continuing operations

For the six months and three months ended 30 June 2023, (i) the gross profit margin of the trading of hardware and computer software business was approximately 4.51% (2022: 7.26%) and 4.92% (2022: 8.67%), respectively. During the relevant periods, the business has been facing fierce market competition, and the gross profit margin of related sales activities has declined. The Group strived to continuously 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; (ii) the gross profit margin of the provision of smart city solutions business was approximately 26.26% (2022: 17.90%) and 30.64% (2022: 18.98%), respectively. The gross profit margin of the 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. The gross loss margin of the business for the six months ended 30 June 2022 was approximately 0.16% (restated) and no gross profit was generated for the three months ended 30 June 2022. The business has suspended its original traditional business and is seeking suitable business opportunities.

The unaudited gross profit margin of the Group from continuing operations for the six months and three months ended 30 June 2023 was approximately 9.57% (2022: 8.61% (restated)) and 11.67% (2022: 10.14% (restated)), respectively.

(iv) Loss attributable to owners of the Company

Continuing operations

For the six months and three months ended 30 June 2023, (i) the trading of hardware and computer software business reported segment loss of approximately RMB1,596,000 (2022: profit of RMB942,000) and RMB337,000 (2022: profit of RMB1,800,000). During the relevant periods, the revenue of the business decreased significantly year-on-year, and the gross profit margin of the business also decreased year-on-year, resulting in segment loss; (ii) the provision of smart city solutions business reported segment loss of approximately RMB8,118,000 (2022: RMB7,659,000) and RMB1,151,000 (2022: RMB1,355,000), respectively; and (iii) the provision of e-commerce operation solution services business has suspended its original traditional business, and no segment results have been recorded. For the six months and three months ended 30 June 2022, the business incurred segment loss of approximately RMB382,000 (restated) and RMB219,000 (restated), respectively. For the six months and three months ended 30 June 2023, the net unallocated expenses of the Group were approximately RMB2,540,000 (2022: RMB2,203,000 (restated)) and RMB945,000 (2022: RMB845,000 (restated)), respectively.

As a result of the cumulative effect of the principal factors described above, for the six months ended 30 June 2023, the Group reported an unaudited net loss attributable to owners of the Company and loss per share from continuing operations of approximately RMB12,132,000 (2022: RMB9,393,000 (restated)) and RMB2.40 cents (2022: RMB1.85 cents (restated)), respectively. For the three months ended 30 June 2023, the Group reported an unaudited net loss attributable to owners of the Company and loss per share from continuing operations of approximately RMB2,469,000 (2022: RMB708,000 (restated)) and RMB0.49 cents (2022: RMB0.14 cents (restated)), respectively.

Discontinued operation

For the six months ended 30 June 2023, the Group has not reported any unaudited results attributable to owners of the Company from discontinued operation (2022: loss of RMB5,969,000 (restated)). For the three months ended 30 June 2023, the Group has not reported any unaudited results attributable to owners of the Company from discontinued operation (2022: loss of RMB3,116,000 (restated)).

Continuing and discontinued operations

For the six months ended 30 June 2023, the Group reported an unaudited net loss attributable to owners of the Company and loss per share from continuing and discontinued operations of approximately RMB12,132,000 (2022: RMB15,362,000) and RMB2.40 cents (2022: RMB3.03 cents), respectively. For the three months ended 30 June 2023, the Group reported an unaudited net loss attributable to owners of the Company and loss per share from continuing and discontinued operations of approximately RMB2,469,000 (2022: RMB3,824,000) and RMB0.49 cents (2022: RMB0.75 cents), respectively.

2. Impact of "Novel Pneumonia Coronavirus" epidemic

During the reporting period, with the end of the "Novel Pneumonia Coronavirus" epidemic in the country, the operating activities of the Group's business segments have gradually returned to normal. However, the far-reaching impact of the epidemic will continue to affect the business development of the Group. For example, the customers' reconsiderations of capital budget, changes in consumption habits and the increase in demand for intelligent services, etc., have brought new challenges and opportunities to the development of various businesses of the Group.

3. Business and product development

Continuing operations

During the reporting period, the Group (i) strengthened the prevention and control of inventory and receivable risks in the trading of hardware and computer software business, continued to adjust the sales strategy and sales structure, 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 continued to improve the functions of smart and safe campus products, seek to break through the charging bottleneck and foster smart and safe campus projects to promote the overall steady development of the business; (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 period, the business actively expanded new markets outside the province such as Shanxi Province, Hebei Province, Shandong Province and Jiangxi Province, following the idea of joint development with a focus on collaborative work in innovation and made joint efforts to expand into markets outside the province to secure more service contracts and orders, while 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.

4. Investment and cooperation

(i) Business investment and cooperation

During the reporting period, 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 is no substantial progress up to the 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 reporting period, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products issued by Bank of China Limited (the "**BOC Wealth Management Products**") and Bank of Hangzhou Co., Ltd.* (杭州銀行股份有限公司) (the "**BOH Wealth Management Products**") (collectively referred to as the "**Wealth Management Products**"). The Wealth Management Products had no fixed maturity periods and were not principal protected nor with pre-determined or guaranteed returns. The underlying investments of the BOC Wealth Management Products were primarily (i) money market instruments (such as various types of deposits, certificates of deposit, pledged repo, etc.); (ii) fixed income securities (such as fixed income products like corporate and government bonds); and (iii) non-standardised assets that met regulatory requirements and other financial investment instruments approved by the regulatory authorities (such as trust loans, acceptance bills and/or letters of credit). The expected annualised rate of return of the BOC Wealth Management Products was around 1.85% to 2.06% (2022: 2.19% 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: 2.16% 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 the six months and three months ended 30 June 2023 and 2022, there were no subscriptions and/or redemptions of the Wealth Management Products that constituted notifiable transactions of the Company under Chapter 19 of the GEM Listing Rules.

As at 30 June 2023, the Group's investments in the Wealth Management Products issued by the said two banks were classified as financial assets at fair value through profit or loss in its consolidated statement of financial position, with an unaudited aggregate outstanding principal amounted to approximately RMB7,552,000 (31 December 2022: RMB18,035,000) and represented approximately 6.78% (31 December 2022: 14.51%) of its total assets. For the six months and three months ended 30 June 2023, the unaudited gain realised by the Group from the investments in the Wealth Management Products amounted to approximately RMB180,000 (2022: RMB233,000) and RMB90,000 (2022: RMB101,000), respectively.

5. Employees information

Continuing operations

As at 30 June 2023, the Group had 134 (31 December 2022: 143) employees in total. The total staff costs of the Group for the continuing operations for the reporting period amounted to approximately RMB16,934,000 (2022: RMB20,153,000 (restated)). The Group's staff costs decreased year-on-year, mainly due to the decrease in the number of employees and decrease in the amount of bonuses paid.

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 compensation system. Salary was fixed and released in accordance with performance appraisal result. 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.

II. REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the six months and three months ended 30 June 2023, the Group's revenue from continuing operations amounted to approximately RMB36,861,000 (2022: RMB65,564,000 (restated)) and RMB21,231,000 (2022: RMB37,954,000 (restated)), respectively.

- For the six months and three months ended 30 June 2023, the Group achieved a gross profit margin from continuing operations of approximately 9.57% (2022: 8.61% (restated)) and 11.67% (2022: 10.14% (restated)), respectively.

- For the six months and three months ended 30 June 2023, the Group incurred a net loss attributable to owners of the Company from continuing operations of approximately RM12,132,000 (2022: RMB9,393,000 (restated)) and RMB2,469,000 (2022: RMB708,000 (restated)), respectively.

- For the six months ended 30 June 2023, the Group had no results attributable to owners of the Company from discontinued operation (2022: loss of RMB5,969,000 (restated)). For the three months ended 30 June 2022, the Group had no results attributable to owners of the Company from discontinued operation (2022: loss of RMB3,116,000 (restated)).

- For the six months and three months ended 30 June 2023, the Group incurred a net loss attributable to owners of the Company from continuing and discontinued operations of approximately RMB12,132,000 (2022: RMB15,362,000) and RMB2,469,000 (2022: RMB3,824,000), respectively.

- For the six months and three months ended 30 June 2023, the Group's loss per share from continuing operations was approximately RMB2.40 cents (2022: RMB1.85 cents (restated)) and RMB0.49 cents (2022: RMB0.14 cents (restated)), respectively.

- For the six months and three months ended 30 June 2023, the Group's loss per share from continuing and discontinued operations was approximately RMB2.40 cents (2022: RMB3.03 cents) and RMB0.49 cents (2022: RMB0.75 cents), respectively.

2. Financial positions

- The Group maintained creditable financial conditions. For the six months ended 30 June 2023, the Group was mainly financed by proceeds generated from daily operations, other internal resources and bank borrowings.

- As at 30 June 2023, the Group had inventories of approximately RMB11,751,000 (31 December 2022: RMB7,295,000). The increase in the Group's inventories during the reporting period was mainly due to the increase in inventories in the trading of hardware and computer software business segment.

- As at 30 June 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 RMB31,075,000 (31 December 2022: RMB41,057,000). As at 30 June 2023, the total bank balances and cash and financial assets at fair value through profit or loss to total assets and net asset ratios were approximately 27.90% (31 December 2022: 33.03%) and 36.61% (31 December 2022: 42.32%), respectively.

- As at 30 June 2023, the Group had contract liabilities of approximately RMB103,000 (31 December 2022: RMB643,000). The significant decrease in the Group's contract liabilities during the reporting period was mainly attributable to the decrease in advance payment from customers for bulk purchase under the trading of hardware and computer software business segment.

- As at 30 June 2023, the Group had total assets of approximately RMB111,385,000 (31 December 2022: RMB124,318,000).

- As at 30 June 2023, the Group had total liabilities of approximately RMB26,503,000 (31 December 2022: RMB27,304,000).

- As at 30 June 2023, the Group had current assets of approximately RMB98,320,000 (31 December 2022: RMB111,622,000).

- As at 30 June 2023, the Group had current liabilities of approximately RMB26,503,000 (31 December 2022: RMB27,304,000).

- As at 30 June 2023, the Group had equity attributable to owners of the Company of approximately RMB84,882,000 (31 December 2022: RMB97,014,000).

- As at 30 June 2023 the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 23.79% (31 December 2022: 21.96%).

- As at 30 June 2023, the Group had a current ratio (i.e. the ratio of current assets to current liabilities) of approximately 3.71 (31 December 2022: 4.09).

- The Group's exposure to foreign currency risk related principally to its bank balances, trade receivables, other receivables and trade and other payables denominated in foreign currencies other than the functional currency of the 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.

- As at 30 June 2023, none of the Group's assets were pledged (31 December 2022: nil).

III. CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the six months ended 30 June 2023 (year ended 31 December 2022: nil). The registered, issued and fully paid 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 2023 and 31 December 2022.

IV. FUTURE PROSPECTS

1. Orders in hand/status in sales contract

During the reporting period, the Group's trading of hardware and computer software business maintained close cooperative relationships with well-known hardware and software vendors in the industry and, according to changes in market demand, strengthened cooperation with domestic brands to better obtain customer orders. On the basis of external sales of computer storage servers and other products and services, it maintained and developed existing system integration service customers, explored system integration services in the field of security, including the active promotion of smart and safe campus services to the regions surrounding Zhejiang Province, such as AnhuiProvince, and strived to increase the revenue proportion of system integration service contracts to continuously and gradually improve the revenue structure and profitability of the business. The Group's provision of smart city solutions business's construction service contracts were being implemented in and outside Zhejiang Province as planned, and it has established good cooperative relationships with local city customers, explored customer needs, provided smart city solution products and services such as the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", "Resident Service Card* (居民服務一卡通)" and "One-stop City* (一碼通城)", etc.. At the same time, responding to relevant national policies, business orders and contracts in many other cities in the country, such as Shanxi Province, Hebei Province, Shandong Province and Jiangxi Province, were procured by way of strategic cooperation, laying a good foundation for the subsequent continuous generation of new contracts and orders. At present, individual city projects in places like Shanxi Province and Jiangxi Province have made great progress. The Group's provision of e-commerce operation solution services business completed the Disposal and ceased its provision of maternal and infant community marketing services business in the fourth quarter of the year 2022, and is looking for other suitable business opportunities to increase revenue.

2. Prospects of new business and products

During the reporting period, the Group continued to promote business transformation and development, concentrated 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 building "digital China (數字中國)" and promoting "digital governance (數字治理)" by the country and the wave of "digital reform (數字化改革)" in Zhejiang Province, make use of the technical advantages and customer resources in various cities accumulated in the provision of smart city solutions business, strengthen the innovation of solutions, provide "digital empowerment (數字賦能)" to customers, and, through the continuous improvement of the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", "Resident Service Card* (居民服務一卡通)", "One-stop City* (一碼通城)" and "Digital Renminbi* (數字人民幣)", etc., especially the enhancement of new applications of digital citizens (數字市民) based on the city brain (城市數據大腦), innovate and expand application scenarios and service functions, such as further strengthening the development of applications like smart trade union, smart community, digital village and smart housekeeping services. The Group will grasp the opportunity of the state and governments at all levels to accelerate the improvement of social governance and city management service capabilities and efficiency, promote to customers in various cities perfect digital information services possessing "information release, information collection, traceability and behaviour management", provide better solutions for the advancement and improvement of their social governance and city management 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, 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 continues to carry out the useful exploration of the business in other product sales and services. For example, in respect of smart and safe campus services, the Group will use existing contracted and implemented school projects as models to accumulate experience, break through the bottleneck of development, and strive to become a breakthrough in the transformation of the business.

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 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 own 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.

FINANCIAL ASSISTANCE TO AN ENTITY AND LOAN RECEIVABLE

As at the date of the Equity Transfer Agreement, 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 was held by the Group, for ordinary working capital purposes of Zhejiang Dianshi and its subsidiaries (collectively referred to as the "**Disposal Group**"), and was not settled after the Completion. The Company considered that if Zhejiang Dianshi were required to repay the Debt prior to the Disposal or immediately after the Completion, 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, the Debt constituted as financial assistance. As the amount of the financial assistance exceeded 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 Company's announcement dated 6 September 2022, circular dated 25 November 2022 and annual report for the year 2022 dated 21 March 2023.

As at 30 June 2023, the Debt was classified as loan receivable in the Group's consolidated statement of financial position, with a carrying amount of approximately RMB6,849,000 (31 December 2022: RMB6,849,000), net of accumulated allowance for impairment loss of approximately RMB4,151,000 (31 December 2022: RMB4,151,000), representing approximately 6.15% (31 December 2022: 5.51%) of the Group's total assets.

Save as disclosed herein, the Group had no financial assistance 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 2023 and 31 December 2022.

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

Save as disclosed below, as at 30 June 2023, 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 are 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 2023, none of the Directors, supervisors or chief executives of the Company was granted options to subscribe for the shares of the Company (2022: nil). As at 30 June 2023, 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 shares (or warrants or debentures, if applicable) of the Company or to acquire the shares of the Company (31 December 2022: nil).

INTERESTS DISCLOSEABLE 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 2023, 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	168,846,930 Domestic Shares *(Note 1)* and 93,130,000 H Shares *(Note 2)*	51.72%
Rise Sea Limited ("**Rise Sea**")	Beneficial owner	93,130,000 H Shares *(Note 2)*	18.39%
Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司) ("**Deqing Huisheng**")	Interests of a controlled corporation	168,846,930 Domestic Shares *(Note 1)* and 93,130,000 H Shares *(Note 2)*	51.72%
Mr. Xia Shilin	Interests of a controlled corporation	168,846,930 Domestic Shares *(Note 1)* and 93,130,000 H Shares *(Note 2)*	51.72%

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	168,846,930 Domestic Shares and 93,130,000 H Shares *(Note 3)*	51.72%
Other persons			
Mr. Zhang Xuguang	Beneficial owner	20,320,000 Domestic Shares and 20,320,000 H Shares	8.02%
Ms. He Yan	Interests of spouse	20,320,000 Domestic Shares and 20,320,000 H Shares *(Note 4)*	8.02%
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 5)*	6.67%

Name	Capacity and nature of interests	Number of shares held	Percentage of beneficial interests in the Company's share capital
Mr. Fong For	Beneficial owner	14,335,000 H Shares	2.83%

Notes:

(1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 168,846,930 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 168,846,930 Domestic Shares owned by Zhejiang Shenghua.

(2) These 93,130,000 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 93,130,000 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. He Yan is the spouse of Mr. Zhang Xuguang and, therefore, she and Mr. Zhang Xuguang are deemed to be interested in each other's shares under the SFO.

(5) 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.

COMPARATIVES

Certain items related to the discontinued operation during the six months and three months ended 30 June 2022 have been restated to conform to current periods' presentation.

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 2023 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 2023 (2022: nil).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2023, 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 enquiries 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 2023.

CORPORATE GOVERNANCE

The Company has adopted and compiled with all code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision C.2.1 as explained below, throughout the six months ended 30 June 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 circumstances. In addition, under the supervision of the Board which was comprised of three executive Directors, one non-executive Director and three independent non-executive Directors, the Board was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and Shareholders. However, the Board will continue to 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, 14 August 2023

* *For identification purposes only*