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
ANNUAL 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.*

* *For identification purposes only*

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Feng *(Chairman and Chief Executive Officer)*
Mr. Xu Jianfeng
Ms. Wu Lihui

Non-Executive Director

Mr. Chen Ping *(Vice Chairman)*

Independent Non-Executive Directors

Mr. Cai Jiamei
Ms. Huang Lianxi
Ms. Huang Xuanzhen

SUPERVISORS

Mr. Song Zhiwei *(Chairman)*
Ms. Shen Xiaofen
Ms. Shen Rujia

AUTHORISED REPRESENTATIVES

Mr. Xu Jianfeng
Mr. Fork Siu Lun Tommy

COMPANY SECRETARY

Mr. Fork Siu Lun Tommy

AUDIT COMMITTEE

Ms. Huang Xuanzhen *(Chairman)*
Mr. Cai Jiamei
Mr. Chen Ping

REMUNERATION COMMITTEE

Mr. Cai Jiamei *(Chairman)*
Mr. Wang Feng
Ms. Huang Xuanzhen

NOMINATION COMMITTEE

Ms. Huang Lianxi *(Chairman)*
Mr. Wang Feng
Mr. Cai Jiamei

REGISTERED OFFICE

No. 9 Nanhu Road
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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Wanchai
Hong Kong

AUDITOR

Confucius International CPA Limited
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PRINCIPAL BANKERS

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Huzhou City
Zhejiang Province
The PRC

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Wukang Town
Deqing County
Huzhou City
Zhejiang Province
The PRC

STOCK CODE

8106

CHAIRMAN'S STATEMENT

I would like to present hereby on behalf of the board (the "**Board**") of Directors the 2024 annual report of the Company and its subsidiaries (together the "**Group**").

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2024, the Group recorded a revenue of approximately RMB185,043,000 (2023: RMB98,089,000) and a loss for the year of approximately RMB6,506,000 (2023: RMB42,773,000).

The Board does not recommend the payment of a final dividend for the financial year ended 31 December 2024 (2023: nil).

REVIEW OF OPERATIONS AND PROSPECTS

During the reporting year, in the face of a volatile external market environment, a competitive market environment with increasing pressure and an internal environment of continuous self-improvement, the Group maintained its strategic stability and promoted all business segments to follow the established strategic objectives, actively respond to the market, meet the market challenges, grasp the market opportunities and seek increment in business. Through the following measures of formulating new business strategies, exploring new customers in the market and adjusting its new business structure, the Group strove to stabilise its business fundamentals and seek new development. In terms of the financial data, although there is still a long way from achieving profitability for the Group, there is a clear trend of improvement.

Firstly, the Group firmly focused on its principal businesses and concentrated its resources to cultivate the market. During the reporting year, 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, continuously adjusted the market strategy and sales structure, and maintained the existing key customer groups. The business volume of old customers has maintained the positive upward trend since the fourth quarter of the year 2023, while efforts have been made to open up other new end customers and actively expand the system integration services business to ensure the overall steady development of the business, and achieved a good growth compared with the previous year; and (ii) actively grasped the opportunities of domestic smart city construction and development in the provision of smart city solutions business, strengthened the marketing system construction at the front end, enhanced the market function, focused on the analysis of domestic market policy and demand externally, and strengthened the integration and optimisation of the innovative applications internally to improve its solution product series. The Group also seized market opportunities such as the domestic promotion of "digital governance (數字治理)" and pilot program of the "Resident Service Card* (居民服務一卡通)" and strengthened the provision of continuous system development services and value-added services to 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. At the same time, the Group actively explored markets outside the province such as Jiangxi Province, Henan Province, Hubei Province and Shanxi Province, following the idea of joint development, focusing on cooperation and innovation, and promoting the market development outside the province with strategic partners in order to obtain more service contracts and orders.

Secondly, the Group enhanced its internal strengths, improved quality and efficiency, and built up its momentum. During the reporting year, (i) the Group optimised the establishment of its talented technical team, improved the selection and appointment of core technical personnel, inspired the enthusiasm of technical talents and created a competent technology development and implementation team; (ii) with the development of new technologies such as AIoT and big data, the Group vigorously innovated to provide new smart city solution services based on the city brain (城市數據大腦) and new solution services for other segmented application scenarios. During the year, the Group strengthened the research and development of micro-service framework products, smart park products, data centre products and unified payment products to empower business development; and (iii) the Group focused on existing businesses and continued to seek room for capital operation in the industrial chain while undertaking business planning to achieve effective breakthroughs in business development through capital expansion.

Thirdly, on one hand, the Group has been strengthening its budget management, controlling various types of expenses, enhancing performance appraisal management, and effectively implementing cost reduction and efficiency enhancement management requirements. On the other hand, the Group has strengthened risk prevention and control, set an upper limit on the scale of trade receivables, controlled the risk exposure to single customer, strove to speed up the collection of trade receivables, disposed of long-term bad and doubtful debts and effectively controlled the risk of trade receivables. Further, the Group strengthened team building, optimised internal organisation and personnel adjustments, and enhanced intensive management, which further unified our corporate management culture and consolidated our internal management synergy.

During the reporting year, the Group stayed firm on its development direction to create a business ecosystem which would fit its own development. The Group is fully aware of the many challenges lying ahead on the path of development, and there are uncertainties as to whether the Group will be able to seize the opportunities in the midst of fierce market competition, take the lead in action, develop its core business competitiveness and make significant breakthroughs in its business. Looking forward, the year 2025 will be the last year of the Group's "Fourteenth Five-Year" strategic development plan. The Group will focus on the "Fourteenth Five-Year" strategic development targets, keep a close eye on the market environment of the existing business segments, respond to the development trend of "digital China (數字中國)" in the country and the wave of "digital reform (數字化改革)" in Zhejiang Province, and proactively capitalise on the development opportunities of the domestic smart city construction and the mobile Internet industry, target at the weak points of the industry sectors in which the Group operates, and tap into and seize the market demand, as well as capitalise on the strengths of business resources and the advantages of its listing status, fully grasp the critical role of talents in enterprise development, all of which will contribute to the effective breakthrough of the Group's businesses and enhancement of its comprehensive profitability. While stabilising the fundamentals of its traditional businesses, the Group will leverage on the booming development trend of artificial intelligence (AI), capitalise the introduction of AI technology, make more effective implementation of new application solution services for smart cities, strengthen internal systematic management, promote synergistic development, and implement responsibilities at all levels, so that the Group can expeditiously turnaround from loss-making and restore profitability, ensure its sustainable and healthy development, and create more business value to reward the shareholders (the "**Shareholders**") of the Company and society.

Finally, on behalf of the Board and management, I would like to express my heartfelt thanks to the continued support of the business partners and customers of the Group and Shareholders and the long-term hard work of all staff members.

Wang Feng
Chairman and Chief Executive Officer

28 March 2025
Hangzhou City, the PRC

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MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

(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 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. 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 year ended 31 December 2024, (i) the trading of hardware and computer software business generated revenue of approximately RMB165,296,000 (2023: RMB85,863,000), representing approximately 92.51% increase when compared to last year. During the reporting year, the business maintained a good momentum, with demand from major old customers increased significantly compared with the previous year, noticeable results in developing new customers, and a certain improvement in customer concentration, resulting in a substantial increase in revenue from the business; (ii) the provision of smart city solutions business generated revenue of approximately RMB19,747,000 (2023: RMB12,226,000), representing approximately 61.52% increase when compared to last year. The business is focused on construction projects currently. Due to the differences in the contract amounts of the projects under construction and progress of the projects in each reporting year, there would be certain fluctuations in the amount of revenue recognised in the respective reporting years. The Group has been actively expanding operation services to enhance the stable income capability of the business. During the reporting year, the Group was under great pressure due to the macroeconomic situation and increasing market competition. It actively explored the market and improved the efficiency of project delivery. The business revenue increased significantly compared with the previous year. However, due to the low base of the previous year, the revenue scale of this year is still not ideal; and (iii) the provision of e-commerce operation solution services business did not generate revenue (2023: nil). The business suspended its original traditional 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 year ended 31 December 2024, the revenue of the Group was approximately RMB185,043,000 (2023: RMB98,089,000), representing an increase of approximately RMB86,954,000, or approximately 88.65%, when compared with that of the year 2023.

(iii) Gross profit margin

For the year ended 31 December 2024, (i) the gross profit margin of the trading of hardware and computer software business was approximately 8.73% (2023: 7.18%). During the reporting year, the Group continued to adjust the market 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, to improve gross profit margin; (ii) the gross profit margin of the provision of smart city solutions business was approximately 32.41% (2023: 43.74%). The gross profit margin of the business was affected by the gross profit margins of related projects carried out during the respective reporting years, and there would be certain fluctuations. The Group has been actively expanding operation services to enhance the stable profitability of the business; and (iii) the provision of e-commerce operation solution services business did not generate revenue and gross profit (2023: nil). The business suspended its original traditional business and is seeking other suitable business opportunities.

The gross profit margin of the Group for the year ended 31 December 2024 was approximately 11.26% (2023: 11.74%).

(iv) Loss for the year

For the year ended 31 December 2024, (i) the trading of hardware and computer software business reported a segment profit of approximately RMB8,824,000 (2023: RMB187,000). During the reporting year, the revenue of the business increased significantly, and the gross profit margin also increased. Also, compared with the previous year, it was no longer affected by the continuous loss-making smart and safe campus business. As a result, the segment profit increased significantly and the profitability was enhanced; (ii) the provision of smart city solutions business reported segment loss of approximately RMB9,637,000 (2023: RMB30,749,000). During the reporting year, the segment loss of the business was significantly reduced. The main reasons were that in the face of severe market competition, the Group actively expanded the market to increase business orders, improved project delivery efficiency and controlled various business costs and expenses. At the same time, compared with the previous year, the impact of impairment losses on earnings was significantly reduced; and (iii) the provision of e-commerce operation solution services business did not report segment results (2023: loss of RMB236,000). As mentioned above, the Group has suspended the operation of the original traditional business.

For the year ended 31 December 2024, the net unallocated expenses of the Group were approximately RMB5,351,000 (2023: RMB11,294,000), which included an impairment loss of loan receivable of approximately RMB1,594,000 (2023: RMB5,255,000). The loan receivable represented a loan advanced by the Group to Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) ("**Zhejiang Dianshi**"), its former subsidiary, with a gross amount of RMB11,000,000. The loan was granted previously by the Group to Zhejiang Dianshi in the year 2021, when Zhejiang Dianshi and its subsidiaries (together referred to as the "**Disposal Group**") were held by the Group, for the Disposal Group's ordinary working capital purposes, and was not settled after the completion (the "**Completion**") of the disposal (the "**Disposal**") of all of the Group's equity interests in Zhejiang Dianshi in the year 2022. Since Zhejiang Dianshi ceased to be a subsidiary of the Group after the Completion, the loan was constituted as a financial assistance to an independent third party. Details of the loan were set out in the announcement and circular of the Company dated 6 September 2022 and 25 November 2022, respectively. At the end of the reporting year, in accordance with IFRSs and the accounting policies of the Group, adhering to the principle of prudence, the Group conducted an impairment test on the loan receivable with reference to the results of an external assessment. Expected credit loss (the "**ECL**") model using the credit risk methodology has been adopted for estimating the impairment loss of loan receivable. The Group measured the impairment loss allowance for the loan receivable at an amount equal to lifetime ECL of approximately RMB11,000,000 as at 31 December 2024 (2023: RMB9,406,000), as it has a significant increase in credit risk since initial recognition. Further information on the loan receivable and provision of ECL for loan receivable was set out in the notes 3,4,6 and 25 to the consolidated financial statements.

As a result of the cumulative effect of the principal factors described above, for the year ended 31 December 2024, the Group reported a loss for the year and loss per share of approximately RMB6,506,000 (2023: RMB42,773,000) and RMB1.28 cents (2023: RMB8.44 cents), respectively.

Though the financial performance of the Group for the year ended 31 December 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 year, 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, focused internal resources, continuously adjusted the market 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 and actively expanded the system integration services business inside and outside the province. The business scale has grown significantly and achieved good results; (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 marketing system, seized market opportunities such as the domestic promotion of "digital governance (數字治理)" and pilot program of the "Resident Service Card* (居民服務一卡通)", 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 strove to open up new customers and new markets. During the year, the business actively explored new markets outside the province such as Jiangxi Province, Henan Province, Hubei Province and Shanxi Province, conducted market research and analysis, sought to leverage cooperation for 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. The Group have selected eight product directions suitable for key expansion, including smart unions, smart parks, smart elderly care, smart communities, and smart party building, etc. The Group have also made useful explorations on how to leverage AI technology development on new solutions application to 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, and seek new business opportunities that can generate revenue for the Group. However, the effect was not ideal.

3. Investments and cooperation

(i) Business investments and cooperation

During the reporting year, 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 the present.

During the reporting year, the Group also maintained a 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 years, 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 purposes 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 Shareholders as a whole. The Group could maximise the overall returns to the Shareholders while maintaining the flexibility of the Group's treasury management. As at the end of prior reporting years, 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.

In response to operating conditions, the Group has not invested in the Wealth Management Products since the second half of the year 2023. As at 31 December 2024 and 2023, there was no outstanding principal balance of Wealth Management Products. For the year ended 31 December 2024, the Group did not realise any income from the investments in the Wealth Management Products (2023: RMB197,000).

During each of the two years ended 31 December 2024, 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. Principal risks and uncertainties

The Group has been operating in the domestic information and trading markets in the PRC. There was market uncertainty on whether the PRC economy growth will persist in the coming years. The Group's financial performance may be adversely affected if the domestic consumer market downturn occurred and the competition in the market continued to be intensified. The Group endeavoured to develop and transform its business towards mobile Internet industry application and services, aiming to diversify the risk of over reliance on one single business segment or product and cultivate new business and new products with more market competitiveness in order to replace the traditional uncompetitive business.

Other risks and uncertainties were set out in the notes 4 to 6 the consolidated financial statements.

5. Employees information

As at 31 December 2024, the Group had 83 (2023: 119) employees in total. The total staff costs of the Group for the reporting year amounted to approximately RMB20,716,000 (2023: RMB28,340,000). During the reporting year, the Group implemented staff reduction and efficiency improvement measures, 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 success 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.

6. Environment protection

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

7. Compliance

During the year, the Group has complied with all relevant laws and regulations and has obtained all permits and business licences from various governmental authorities necessary to carry on its businesses.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the year ended 31 December 2024, the Group's revenue amounted to approximately RMB185,043,000 (2023: RMB98,089,000).
- For the year ended 31 December 2024, the Group's gross profit margin was approximately 11.26% (2023: 11.74%).
- For the year ended 31 December 2024, the Group had a loss for the year of approximately RMB6,506,000 (2023: RMB42,773,000).
- For the year ended 31 December 2024, the Group's loss per share was approximately RMB1.28 cents (2023: RMB8.44 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2024, the Group's operations were mainly financed by proceeds generated from daily operations, other internal resources and bank borrowings.
- As at 31 December 2024, the Group did not have balance of loan receivable (2023: RMB1,594,000). The significant decrease in the Group's loan receivable during the reporting year was attributable to the impairment loss recognised as mentioned above.
- As at 31 December 2024, the Group had inventories of approximately RMB6,146,000 (2023: RMB17,105,000). The significant decrease in the Group's inventories during the reporting year was mainly due to the decrease in inventories under the trading of hardware and computer software business segment.
- As at 31 December 2024, the Group had trade and bills receivables of approximately RMB78,344,000 (2023: RMB39,860,000). The significant increase in the Group's trade and bills receivables during the reporting year was mainly due to the increase in trade and bills receivables under the trading of hardware and computer software business segment as a result of the significant growth in the revenue of the business segment.
- As at 31 December 2024, the Group had contract assets of approximately RMB2,580,000 (2023: RMB4,800,000). The significant decrease in the Group's contract assets during the reporting year was mainly attributable to the decrease in contract assets recognised under the provision of smart city solutions business segment.
- As at 31 December 2024, the Group had bank balances and cash of approximately RMB15,594,000 (2023: RMB15,308,000). The bank balances and cash to total assets and net asset ratios as at 31 December 2024 were approximately 14.16% (2023: 17.57%) and 32.67% (2023: 28.22%), respectively.
- As at 31 December 2024, the Group had trade and other payables of approximately RMB33,230,000 (2023: RMB19,904,000). The significant increase in the Group's trade and other payables during the reporting year was mainly attributable to the increase in trade payables for purchases under the trading of hardware and computer software business segment as a result of the significant growth in the sales orders of the business segment.
- As at 31 December 2024, the Group had contract liabilities of approximately RMB351,000 (2023: RMB1,040,000). The significant decrease in the Group's contract liabilities during the reporting year was mainly attributable to the decrease in advance payments from customers under the provision of smart city solutions business segment.

- As at 31 December 2024, the Group had bank borrowings of approximately RMB28,828,000 (2023: RMB11,960,000). During the reporting year, the Group increased bank borrowings to finance its operations.

- As at 31 December 2024, the Group had total assets of approximately RMB110,144,000 (2023: RMB87,145,000).

- As at 31 December 2024, the Group had total liabilities of approximately RMB62,409,000 (2023: RMB32,904,000).

- As at 31 December 2024, the Group had current assets of approximately RMB107,933,000 (2023: RMB82,632,000).

- As at 31 December 2024, the Group had current liabilities of approximately RMB62,409,000 (2023: RMB32,904,000).

- As at 31 December 2024, the Group had total equity of approximately RMB47,735,000 (2023: RMB54,241,000).

- As at 31 December 2024, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 56.66% (2023: 37.76%).

- As at 31 December 2024, the Group had a current ratio (i.e. the ratio of current assets to current liabilities) of approximately 1.73 (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 31 December 2024, the Group's bills receivable amounting to approximately RMB18,828,000 (2023: RMB1,960,000) were pledged to secure banking borrowings of approximately RMB18,828,000 (2023: RMB1,960,000).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group has no material contingent liabilities (2023: nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during each of the two years ended 31 December 2024. The paid-in 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 (the "**H Shares**") of the Company of nominal value of RMB0.10 each, as at 31 December 2024 and 2023.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/status in sales contract

During the reporting year, the Group's trading of hardware and computer software business maintained close cooperation with well-known hardware and software vendors in the industry, concentrated resources to develop computer hardware sales services and system integration services and encouraged the development of new customers, achieving certain results and improvement in customer concentration, laying a solid foundation for the stable development of the business. The construction service contracts of the Group's provision of smart city solutions business were being implemented in 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* (數字市民及市民卡服務平台)", "Resident Service Card* (居民服務一卡通)" and "One-stop City* (一碼通城)", etc. At the same time, business contracts and orders in many other cities in provinces such as Jiangxi Province, Henan Province, Hubei Province and Shanxi 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 year, through the enhancement of its sales force, the cooperation intention of potential customers was deepened, thus building a good base for the subsequent continuous generation of new contracts and orders. The Group's provision of e-commerce operation solution services business is looking for other suitable business opportunities to increase revenue.

2. Prospects of new business and products

During the reporting year, the Group continued to promote business transformation and development, concentrating resources and advantages to achieve effective breakthroughs in transformation. The Group expects to, under controllable overall risk, continue to seek new business opportunities by combining its existing business and technical advantages and introducing artificial intelligence technology to explore new application scenarios, 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 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 more and more popularisation and application of artificial intelligence, 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 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 recent years, the Group's operational services have not progressed as expected. However, 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, the Group will actively pursue the trading of hardware and computer software business to continue to adjust market strategy and sales structure, seize the opportunities of the development of the information and innovation industry, increase cooperation and cultivation of new brands, tap into the diverse needs of more potential high-quality customers and strengthen the development of system integration services. The Group continued to vigorously promote internal business collaboration, improve internal benefit sharing mechanism, encourage 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 encourage the business team to help promote market opportunities for new applications of the provision of smart city solutions business based on its own advantages.

The Group will, in accordance with the "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 development opportunities brought by new technologies and new markets and, through adoption of effective measures and with the transformation breakthrough and coordinated development of various business sectors, build a unique business ecosystem with effective coverage from technology to service, from product to platform, from offline to online, and from B-end to C-end in the future. 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.

By order of the Board
Wang Feng
Chairman and Chief Executive Officer

28 March 2025
Hangzhou City, the PRC

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, supervisors (the "**Supervisors**") of the Company and senior management of the Group as at 28 March 2025, the date of this annual report, are set out as follows:

DIRECTORS

Executive Directors

Mr. Wang Feng (王鋒), aged 59, is the chairman (the "**Chairman**") and chief executive officer (the "**Chief Executive Officer**") of the Company. Mr. Wang is also a director of Increator Technology Co., Ltd.* (浙江創建科技有限公司) ("**Increator Technology**") and Hangzhou Huaguang Computer Engineering Co., Ltd.* (杭州華光計算機工程有限公司) ("**Hangzhou Huaguang**"), both wholly-owned subsidiaries of the Company. Mr. Wang is a senior accountant, graduated from Nanjing Institute of Grain Economics* (南京糧食經濟學院) (currently known as Nanjing University Of Finance & Economics (南京財經大學)) with a bachelor's degree in economics in July 1988 majoring in accounting. From December 2003 to November 2019, Mr. Wang served various positions including as the audit department manager, finance manager, chief financial officer and vice president of Shenghua Group Holdings Co., Ltd.* (升華集團控股有限公司) ("**Shenghua Group Holdings**"). From June 2011 to May 2017, Mr. Wang served as a supervisor of Zhejiang Shenghua Biok Biology Co., Ltd.* (浙江升華拜克生物股份有限公司) (currently known as Zhejiang Hengtong Holding Co., Ltd.* (浙江亨通控股股份有限公司)) ("**Shenghua Biok Biology**"), a company listed on the Shanghai Stock Exchange (stock code: 600226). From July 2015 to November 2019, Mr. Wang served as a director and vice president of Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司) ("**Zhejiang Shenghua**"). From December 2019 to present, Mr. Wang has been serving as the chairman and general manager of Huzhou Shenghua Financial Services Co., Ltd.* (湖州升華金融服務有限公司). Mr. Wang has extensive experience in corporate management in the PRC. Mr. Wang joined the Company since April 2022 and has been appointed as an executive Director of the current Board since June 2023.

Mr. Xu Jianfeng (徐劍鋒), aged 38, is the secretary of the Board and authorised representative (the "**Authorised Representative**") of the Company. Mr. Xu is also a director of Increator Technology, Hangzhou Increator Smart Union Technology Co., Ltd.* (杭州創建智工科技有限公司) and Shenghua Scitech Information Limited, all wholly-owned subsidiaries of the Company, and vice president of Increator Technology. Mr. Xu graduated from Jiangxi University of Finance and Economics (江西財經大學) majoring in tourism management and finance (second degree) in July 2009 and obtained a bachelor's degree in management and a bachelor's degree in economics. From July 2009 to May 2017, Mr. Xu served as the secretary to the president (總裁秘書) of Shenghua Group Holdings. Mr. Xu joined the Company since May 2017 and has been appointed as an executive Director of the current Board since June 2023.

Ms. Wu Lihui (吳麗輝), aged 39, is the finance manager of the Company. Ms. Wu graduated from Zhejiang Forestry University* (浙江林學院) (currently known as Zhejiang A&F University (浙江農林大學)) in June 2008 and obtained a bachelor's degree in management majoring in accounting. Ms. Wu holds the title of intermediate accountant and tax accountant qualification in the PRC. From March 2009 to May 2014, Ms. Wu worked as a tax auditor of Shenghua Biok Biology. From June 2014 to November 2016, Ms. Wu worked as an accountant of Zhejiang Shenghua Asset Management Co., Ltd.* (浙江升華資產經營有限公司). From December 2016 to September 2019, Ms. Wu worked as the finance manager of Huzhou Xintianwai Green Packet Printing Co., Ltd.* (湖州新天外綠包印刷有限公司). From October 2019 to December 2021, Ms. Wu worked in financial management at Zhejiang Shenghua Defeng Investment Co., Ltd.* (浙江升華德灃投資有限公司). From December 2021 to present, Ms. Wu worked as the finance manager of Huzhou Shenghua Financial Services Co., Ltd.* (湖州升華金融服務有限公司). Ms. Wu joined the Company since November 2023 and has been appointed as an executive Director of the current Board since June 2024.

Non-Executive Director

Mr. Chen Ping (陳平), aged 60, is the vice chairman (the "**Vice Chairman**") of the Company. Mr. Chen is an advisor to students seeking their master's degree and an associate professor at Zhejiang University (浙江大學). Mr. Chen graduated from the Department of Computer Science and Technology at Zhejiang University (浙江大學) with a bachelor's degree and a master's degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University (浙江大學), Mr. Chen has been involved in the research and development of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize (浙江省科學技術進步二等獎及三等獎) issued by the Zhejiang Provincial People's Government in the year 1993. Mr. Chen had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang University (浙江大學) for seven years up to 1997. Mr. Chen published two computer networking academic textbooks and a number of academic research papers in the PRC. Since October 2021, Mr. Chen has been appointed as an executive director of Rego Interactive Co., Ltd, a company listed on the main board of the Stock Exchange (stock code: 2422). Mr. Chen joined the Company since May 1997 and has been appointed as a non-executive Director of the current Board since June 2023.

Independent Non-Executive Directors

Mr. Cai Jiamei (蔡家楣), aged 78, is the chairman of the remuneration committee (the "**Remuneration Committee**") of the Company. Mr. Cai graduated from the Physics Department of Fudan University (復旦大學) majoring in semiconductor in August 1970. Mr. Cai was appointed as the dean of the College of Information Engineering* (信息工程學院) (from October 2000 to August 2004), the College of Software* (軟件學院) (from April 2002 to May 2006) and the College of Software Vocational Skills* (軟件職業技術學院) (from April 2002 to May 2006) of Zhejiang University of Technology (浙江工業大學). Mr. Cai was elected as the chairman of the second and third session of the council of Zhejiang Software Industry Association* (浙江省軟件行業協會) in 2008 and 2012, respectively. From May 2010 to January 2015, Mr. Cai was appointed as an independent non-executive director of Hangzhou New Century Information Technology Co., Ltd.* (杭州新世紀信息技術股份有限公司) (currently known as Hangzhou Liaison Interactive Information Technology Co., Ltd.* (杭州聯絡互動信息技術股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 002280). From August 2011 to August 2017, Mr. Cai was appointed as an independent non-executive director of B-Soft Company Limited* (創業軟件股份有限公司) (currently known as B-Soft Co., Ltd.* (創業慧康科技股份有限公司) ("**B-Soft**")), a company listed on the Shenzhen Stock Exchange (stock code: 300451). From July 2013 to January 2020, he was appointed as an independent non-executive director of Sunwave Telecommunication Company Limited* (三維通信股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002115). From January 2014 to January 2019, he was appointed as an independent non-executive director of Hangzhou Xianlin Sanwei Technology Company Limited* (杭州市先臨三維科技股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 830978). From June 2018 to July 2024, he was appointed as an independent non-executive director of Xinhu Zhongbao Co., Ltd.* (新湖中寶股份有限公司) (currently known as Quzhou Xin'an Development Co., Ltd.* (衢州信安發展股份有限公司) ("**Quzhou Development**")), a company listed on the Shanghai Stock Exchange (stock code: 600208). Since October 2020, he has been appointed as an independent non-executive director of B-Soft. Since May 2021, Mr. Cai has been appointed as an independent non-executive director of Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600797). Since July 2024, he has been appointed as a supervisor of Quzhou Development. Since December 2024, Mr. Cai has been appointed as an independent non-executive director of Zhejiang Jiezhong Technology Co., Ltd.* (浙江捷眾科技股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 873690). Mr. Cai joined the Company since May 2017 and has been appointed as an independent non-executive Director of the current Board since June 2023.

Ms. Huang Lianxi (黃廉熙), aged 62, is the chairman of the nomination committee (the "**Nomination Committee**") of the Company. Ms. Huang Lianxi graduated from East China College of Political Science and Law (華東政法學院) (currently known as East China University of Political Science and Law (華東政法大學)) in August 1983 majoring in law. Ms. Huang Lianxi furthered her legal study at Shanghai College of International Business and Economics (上海對外貿易學院) (currently known as Shanghai University of International Business and Economics (上海對外貿易大學)) in 1984 and graduated in July 1986. From 1991 to 1992, Ms. Huang Lianxi attended a one-year course of United Kingdom Practical Training Scheme for Lawyers of the People's Republic of China at University of London and obtained a certificate of completion. From September 1984 to September 2003, Ms. Huang Lianxi worked at Zhejiang Economy Law Firm* (浙江省經濟律師事務所) (currently known as Zhejiang Zhe Jing Law Firm* (浙江浙經律師事務所)) as a lawyer, deputy head officer (副主任) and partner successively. Ms. Huang Lianxi is a partner of Zhejiang Tiance Law Firm* (浙江天冊律師事務所) and she joined the firm since September 2003. In October 2008, Ms. Huang Lianxi was recognised as Outstanding Lawyer (全國優秀律師) for the years 2005 to 2007 by All China Lawyers Association* (中華全國律師協會). In February 2013 and January 2018, Ms. Huang Lianxi was appointed as a member of the Twelfth and Thirteenth National Committee for Chinese People's Political Consultative Conference* (中華人民政治協商會議第十二屆、第十三屆全國委員會), respectively. Ms. Huang Lianxi is an arbitrator of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會). Ms. Huang Lianxi had been the vice president of the Lawyers Association of Zhejiang* (浙江省律師協會). From April 2008 to April 2014, Ms. Huang Lianxi was appointed as an independent non-executive director of Sunny Loan Top Company Limited* (香溢融通控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600830). From June 2008 to August 2014, Ms. Huang Lianxi was appointed as an independent non-executive director of Zhejiang Zhenyuan Company Limited* (浙江震元股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000705). From April 2009 to April 2015, Ms. Huang Lianxi was appointed as an independent non-executive director of Shenghua Biok Biology. From August 2009 to March 2016, she was an independent non-executive director of China Calxon Group Company Limited* (嘉凱城集團股份有限公司) (formerly known as Hunan Yahua Holdings Group Company Limited* (湖南亞華控股集團股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000918). From July 2013 to November 2018, Ms. Huang Lianxi was appointed as an independent non-executive director of Zhejiang Kangsheng Co., Ltd.* (浙江康盛股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002418). From April 2014 to April 2020, Ms. Huang Lianxi was appointed as an independent non-executive director of Zuoli Kechuang Micro-finance Company Limited* (佐力科創小額貸款股份有限公司), a company listed on the main board of the Stock Exchange (stock code: 6866). From March 2016 to May 2022, Ms. Huang Lianxi was an independent non-executive director of Zhejiang Youpon Ceiling Company Limited* (浙江友邦吊頂股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002718). From December 2018 to January 2024, Ms. Huang Lianxi was an independent non-executive director of Zhejiang Walrus New Material Co., Ltd.* (浙江海象新材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 003011). Ms. Huang Lianxi was an independent non-executive director of Hanjia Design Group Co., Ltd.* (漢嘉設計集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300746), from March 2019 to March 2025. Ms. Huang Lianxi joined the Company since May 2017 and has been appointed as an independent non-executive Director of the current Board since June 2023.

Ms. Huang Xuanzhen (黃軒珍), aged 66, is the chairman of the audit committee (the "**Audit Committee**") of the Company. Ms. Huang Xuanzhen completed a professional course from Zhejiang Radio and TV University* (浙江廣播電視大學) (currently known as Zhejian Open University (浙江開放大學)) in business accounting in July 1986. She was recognised as a certified accountant by Zhejiang Institute of Certified Public Accountants in December 1996. She is also a senior accountant. Ms. Huang Xuanzhen has more than 30 years of experience in the field of accounting. From December 1999 to present, she has served at Deqing Tianqin Certified Public Accountants Co., Ltd.* (德清天勤會計師事務所有限責任公司) successively as the deputy chief accountant and chief accountant. She has also been a director of Deqing Tianqin Tax Accountant Firm Co., Ltd.* (德清天勤税務師事務所有限公司) and Huzhou Tianqin Financial Management Consulting Co., Ltd.* (湖州天勤財務管理諮詢有限公司) from July 2012 and November 2015 to present, respectively. Ms. Huang Xuanzhen has been an independent non-executive director of Zhejiang HSD Industrial Co., Ltd.* (浙江華盛達實業集團股份有限公司) (currently known as Gansu Gangtai Holding (Group) Co., Ltd.* (甘肅剛泰控股(集團)股份有限公司)), a company listed on the Shanghai Stock Exchange up to March 2021 (former stock code: 600687) from October 2003 to May 2008, an independent non-executive director of Zhejiang Top Medicine Co., Ltd.* (浙江拓普藥業股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 837631) from April 2010 to June 2015, an independent non-executive director of Zhejiang Jolly Pharmaceutical Co., Ltd.* (浙江佐力藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300181) from April 2011 to January 2017, an independent non-executive director of Shenghua Biok Biology from May 2014 to May 2017, an independent non-executive director of Zhejiang Three Stars New Materials Co., Ltd.* (浙江三星新材股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603578) from August 2018 to October 2023, an independent non-executive director of Zhejiang Sorfa Life Science Research Co., Ltd.* (浙江碩華生命科學研究股份有限公司), a company listed on the National Equities Exchange and Quotations up to November 2020 (former stock code: 838540) from December 2020 to present. Ms. Huang Xuanzhen joined the Company and has been appointed as an independent non-executive Director of the current Board since June 2023.

SUPERVISORS

Shareholder Representative Supervisors

Mr. Song Zhiwei (宋志偉), aged 39, is the chairman of the supervisory committee (the "**Supervisory Committee**") of the Company. Mr. Song graduated from Zhejiang Gongshang University (浙江工商大學) with a bachelor's degree in economics in July 2009 majoring in finance. From July 2009 to January 2016, Mr. Song served as the customer manager and credit review supervisor of Deqing Shenghua Microfinance Co., Ltd.* (德清升華小額貸款股份有限公司). From February 2016 to August 2018, Mr. Song served as a project manager of Zhejiang Shenghua Internet Financial Information Service Co., Ltd.* (浙江升華互聯網金融信息服務有限公司). From October 2018 to January 2019, Mr. Song worked at the investment department of Zhejiang Oushiman Group Co., Ltd.* (浙江歐詩漫集團有限公司). Mr. Song has served successively as the investment specialist, assistant to general manager and general manager of the strategic investment department of Zhejiang Shenghua since February 2019. Mr. Song joined the Company since May 2022 and has been appointed as a Supervisor of the current Supervisory Committee since June 2023.

Ms. Shen Xiaofen(沈小芬), aged 53, completed the specialist study at The Broadcast and Television University of China* (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) majoring in professional accounting in January 2008. From January 1999 to August 2009, Ms. Shen Xiaofen served successively as the staff and deputy manager of the finance department of Shenghua Biok Biology. From August 2009 to July 2017, Ms. Shen Xiaofen was the cost manager of the finance department of Zhejiang Yunda Wind Power Co., Ltd.* (浙江運達風電股份有限公司). Since July 2017 and July 2020, Ms. Shen Xiaofen has served as the deputy general manager and general manager, respectively, of the audit and compliance department of Shenghua Group Holdings. From March 2022 to March 2023, Ms. Shen Xiaofen was the assistant to the president of Zhejiang Shenghua. From December 2023 to present, Ms. Shen Xiaofen has served as the general manager of the audit and supervision department (審計監察部) (formerly known as audit and compliance department (審計合規部)) of Zhejiang Shenghua. Ms. Shen Xiaofen joined the Company since May 2019 and has been appointed as a Supervisor of the current Supervisory Committee since June 2023.

Employee Representative Supervisor

Ms. Shen Rujia(沈儒佳), aged 36, has worked as an accountant of the Company since August 2018. Ms. Shen Rujia graduated from Jiaxing University (嘉興學院) in June 2011 majoring in architecture and accounting (second degree), with a bachelor's degree in engineering and a bachelor's degree in management. Ms. Shen Rujia obtained the intermediate accounting professional and technical qualification certificate approved by the Ministry of Human Resources and Social Security and Ministry of Finance of the PRC. From July 2011 to July 2018, Ms. Shen Rujia worked as an accountant at Shenghua Estate Group Company Limited* (升華地產集團有限公司) ("**Shenghua Estate**"). Ms. Shen Rujia joined the Company since August 2018 and has been appointed as a Supervisor of the current Supervisory Committee since June 2023.

SENIOR MANAGEMENT

Mr. Wang Feng (王鋒), aged 59, is the Chairman and Chief Executive Officer. Mr. Wang is a senior accountant, graduated from Nanjing Institute of Grain Economics* (南京糧食經濟學院) (currently known as Nanjing University Of Finance & Economics) with a bachelor's degree in economics in July 1988 majoring in accounting. From December 2003 to November 2019, Mr. Wang served various positions including as the audit department manager, finance manager, chief financial officer and vice president of Shenghua Group Holdings. From June 2011 to May 2017, Mr. Wang served as a supervisor of Shenghua Biok Biology. From July 2015 to November 2019, Mr. Wang served as a director and vice president of Zhejiang Shenghua. From December 2019 to present, Mr. Wang has been serving as the chairman and general manager of Huzhou Shenghua Financial Services Co., Ltd.*. Mr. Wang has extensive experience in corporate management in the PRC. Mr. Wang joined the Company since April 2022.

Mr. Xu Jianfeng (徐劍鋒), aged 38, is the secretary of the Board, Authorised Representative and vice president of Increator Technology. Mr. Xu graduated from Jiangxi University of Finance and Economics majoring in tourism management and finance (second degree) in July 2009 and obtained a bachelor's degree in management and a bachelor's degree in economics. From July 2009 to May 2017, Mr. Xu served as the secretary to the president (總裁秘書) of Shenghua Group Holdings. Mr. Xu joined the Company since May 2017.

Ms. Wu Lihui (吳麗輝), aged 39, is the finance manager of the Company. Ms. Wu graduated from Zhejiang Forestry University* (浙江林學院) (currently known as Zhejiang A&F University (浙江農林大學)) in June 2008 and obtained a bachelor's degree in management majoring in accounting. Ms. Wu holds the title of intermediate accountant and tax accountant qualification in the PRC. From March 2009 to May 2014, Ms. Wu worked as a tax auditor of Shenghua Biok Biology. From June 2014 to November 2016, Ms. Wu worked as an accountant of Zhejiang Shenghua Asset Management Co., Ltd.* (浙江升華資產經營有限公司). From December 2016 to September 2019, Ms. Wu worked as the finance manager of Huzhou Xintianwai Green Packet Printing Co., Ltd.* (湖州新天外綠包印刷有限公司). From October 2019 to December 2021, Ms. Wu worked in financial management at Zhejiang Shenghua Defeng Investment Co., Ltd.* (浙江升華德灃投資有限公司). From December 2021 to present, Ms. Wu worked as the finance manager of Huzhou Shenghua Financial Services Co., Ltd.* (湖州升華金融服務有限公司). Ms. Wu joined the Company since November 2023.

Mr. Zheng Yidong (鄭益東), aged 51, is the vice president of the Company and chairman of Increator Technology. Mr. Zheng passed the self-study higher education examinations in law (高等教育法律專科自學考試) from Zhejiang University (浙江大學) in December 1998. Mr. Zheng has been qualified to practise law in the PRC since June 2000. From January 2001 to May 2006, Mr. Zheng served as a deputy manager of the legal department of Shenghua Group Holdings. From May 2006 to October 2013, Mr. Zheng served several positions including as the assistant to the general manager (總經理助理), deputy general manager, general manager and chairman of Zhejiang Shenghua Qiang Ci Materials Company Limited* (浙江升華強磁材料有限公司) (currently known as Zhejiang Long Hua Shu Furniture Company Limited* (浙江龍華樹傢俱有限公司)). From October 2013 to February 2014, Mr. Zheng served as the general manager of Shenghua Group Deqing Aohua Advertising Co., Ltd.* (升華集團德清奥華廣告有限公司). From March 2014 to November 2019, Mr. Zheng served various positions including as the assistant to the president (總裁助理) and deputy general manager of Shenghua Estate. Mr. Zheng joined the Company since November 2019.

Mr. Wu Benlin (吳本林), aged 50, is the president of Increator Technology. Mr. Wu graduated from He Fei University of Technology (合肥工業大學) with a bachelor's degree in communication engineering. Mr. Wu has devoted to the development of computer software application system, especially the development of application in industry such as social security, city card (城市一卡通), smart city based on J2EE structure, and has extensive experience in the field of city informatisation and smart city. Mr. Wu was awarded the Zhejiang Province Science and Technology Advancement First Prize (浙江省科技進步一等獎) in the year 2008, and qualification certifications of Information System Project Management Professional (信息系統項目管理師), OCP, Microsoft Senior Project Management Training (高級項目經理培訓)and Senior Software Development Supervisor Training Program (高級軟件研發主管研修計劃) and honoured with qualification such as IBM Certified Structuralist (認證架構師). Mr. Wu joined the Group since February 2018.

Ms. Su Lili (蘇麗麗), aged 39, is the general manager of Hangzhou Huaguang. Ms. Su graduated from Zhejiang Gongshang University (浙江工商大學) majoring in accounting. She joined Hangzhou Huaguang in 2006 and has nearly 20 years of industry management experience in the trading of hardware and computer software and system integration services businesses. Ms. Su has joined the Group since September 2009.

Mr. Fork Siu Lun Tommy (霍兆麟), aged 62, is the company secretary (the "**Company Secretary**") of the Company and Authorised Representative. Mr. Fork graduated from University of Hong Kong with a bachelor's degree in science in November 1984. He has been a member of the Hong Kong Institute of Certified Public Accountants since September 1987 and a fellow member of the Association of Chartered Certified Accountants since October 1992. Mr. Fork joined the Company since May 2017.

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report (the "**CG Report**") of the Company for the year ended 31 December 2024.

CORPORATE PURPOSE, STRATEGY AND GOVERNANCE PRACTICES

1. Corporate strategy, business model and culture

The Company's mission is to create value for customers and change life with digital and it has a vision to become the founder of digital life. The Group is determined to be market-oriented, with the help of the driving force of the rapid development of the Internet economy, strengthen the continuous innovation of products and businesses, provide the general public with more secure, high-quality, efficient, convenient and intelligent digital services and products, and become the leading comprehensive provider of mobile Internet digital services in the PRC. On working towards the achievement of its mission, the Group established the core organisation values of acting lawfully, ethically and responsibly across all levels of the Group and had an ongoing strategic planning process to identify, assess and make responses to the opportunities and challenges that the Group might encounter. The Board has fostered a corporate culture value with focusing on five specific areas: (i) innovation; (ii) collaboration; (iii) wisdom; (iv) health; and (v) integrity. The Board, led by example, instilled and promoted the corporate culture continually throughout its operations, and considered that the culture and the purpose, value and strategy of the Group are aligned.

The Group is a platform-based technology company group accompanying the rapid development of the PRC's information economy, and has established three core business sectors, namely (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, serving the PRC mobile Internet service industry. The Board has been focusing on creating long-term sustainable growth for the Shareholders and delivering long-term values to all stakeholders and community. The principal objectives of the Group are to enhance revenue and profitability, improve overall performance and secure long-term total return for all its stakeholders. The Board included a discussion and analysis of the Group's performance, business development, generation of long-term value and business strategy for the year in the section headed "Management Discussion and Analysis" on pages 5 to 13 of this annual report.

2. Corporate governance practices

Corporate governance provided the framework within which the Board formed its decisions and built the businesses. An effective corporate governance structure allowed the Group to have a better understanding of, evaluate and manage risks and opportunities (including environmental and social risks and opportunities). As detailed below, the Board was responsible for performing the corporate governance duties of the Company. The Board recognised the importance of achieving a high standard of corporate governance in meeting the needs and requirements of the Group's businesses and enhancing the value for the Shareholders. The Board has been fully committed to doing so and has applied the principles of good corporate governance set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix C1 to the GEM Listing Rules in all material aspects of the Group's operations throughout the year ended 31 December 2024.

3. Compliance

For the year ended 31 December 2024, the Group (i) has disclosed the information required under the mandatory requirements for disclosure in the CG Report set out in Part 1 of the CG Code; and (ii) has complied with all code provisions set out in Part 2 of the CG Code, except for the deviation from code provision C.2.1 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 and Chief Executive Officer 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 operations. 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 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.

BOARD OF DIRECTORS

During the year and up to the date of this report, the composition of the Board was as follows:

Executive Directors

Mr. Wang Feng
Mr. Xu Jianfeng
Ms. Wu Lihui *(appointed with effective from 27 June 2024)*
Mr. Guan Zilong *(resigned with effective from 27 June 2024)*

Non-Executive Director

Mr. Chen Ping

Independent Non-Executive Directors

Mr. Cai Jiamei
Ms. Huang Lianxi
Ms. Huang Xuanzhen

The biographical details of the Directors have been set out on pages 14 to 17 of this annual report. There were no disclosable relationships between the Board members.

The term of appointment of the non-executive Director, Mr. Chen Ping, is from 29 June 2023 until 28 June 2026.

Ms. Wu Lihui was appointed as an executive Director with effective from 27 June 2024. She obtained the legal advice referred to in Rule 5.02D of the GEM Listing Rules on 18 June 2024, and has confirmed that she understood her obligations as a director of a listed company.

The list of Directors and their role and function has been published on the Stock Exchange's website.

Each Director has ensured that he/she has given sufficient time, commitments and attention to the affairs of the Group during the year.

The composition of the Board was well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the businesses of the Group. All executive Directors, non-executive and independent non-executive Directors have brought a variety of experience and expertise to the Group.

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered the diversity of Board members could be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background and professional experience, skills and knowledge. The Company has not set any measurable objectives for implementing the board diversity policy. All future Board appointments will be based on meritocracy, and the candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. During the year, the Nomination Committee conducted an annual review on the implementation and effectiveness of the board diversity policy and the result was satisfactory.

The Company was committed to ensuring that independent views and input were available to the Board. During the year, the Company complied at all times with the requirement of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Nomination Committee has assessed the independence of the independent non-executive Directors on an annual basis and the Company considered all independent non-executive Directors to be independent.

Appointment and re-election of Directors should be approved by general meetings of the Shareholders. The articles of association (the "**Articles of Association**") of the Company stipulated that the term of each Director was three years and could be re-elected in succession. The resignation and termination of a Director should need reasonable explanation. The Company did not require the rotation of Directors in three years. Instead, Directors were re-elected by general meeting of the Shareholders upon the expiry of their three years terms and could be re-appointed.

The Board's primary responsibilities were to formulate the Group's long-term corporate strategy, oversee the management of the Group, evaluate the performance of the Group and enhance long-term Shareholders value. The management of the Group was responsible for executing the strategies adopted by the Board and managing the day-to-day activities of the Group.

The Board has been provided with monthly financial summaries which contain year-to-date key figures of the Group. The monthly financial summaries have given a balanced and understandable assessment of the Group's performance, financial position and prospects in sufficient detail.

The Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

Pursuant to the CG Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This would ensure that their contribution to the Board was made with thorough and necessary information. The Company would provide introduction and information to newly appointed Directors on their legal and other responsibilities as directors and their functions. As part of an ongoing process of directors' training, the Directors were updated with latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors and the Group's businesses and governance policies. All Directors have been encouraged to attend external and internal forums or training courses on relevant topics which may count towards continuous professional development training. The Company has devised a training record to assist the Directors to record the training they have undertaken. During the year, all Directors have participated in appropriate continuous professional development activities either by attending training courses, seminars and conferences or by reading articles, researches and journals relevant to the Group's businesses or the Directors' duties and responsibilities.

The following table set out the attendance of individual Directors at the meetings of the Board, Board committees and Shareholders held during the year:

		Meeting attended			
Director	**Board**	**Audit committee**	**Remuneration committee**	**Nomination committee**	**Shareholders**
Executive Directors					
Mr. Wang Feng	5/5	–	1/1	2/2	2/2
Mr. Xu Jianfeng	5/5	–	–	–	2/2
Ms. Wu Lihui (Note 1)	3/3	–	–	–	1/1
Mr. Guan Zilong (Note 2)	2/2	–	–	–	0/1
Non-Executive Director					
Mr. Chen Ping	5/5	3/3	–	–	0/2
Independent Non-Executive Directors					
Mr. Cai Jiamei	5/5	3/3	1/1	2/2	2/2
Ms. Huang Lianxi	5/5	–	–	2/2	2/2
Ms. Huang Xuanzhen	5/5	3/3	1/1	–	2/2

Notes:

(1) Appointed as an executive Director with effective from 27 June 2024.

(2) Resigned as an executive Director with effective from 27 June 2024.

The Company Secretary prepared minutes and kept records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also kept the Board minutes, which were open for inspection at any reasonable time on reasonable notice by any Director.

BOARD COMMITTEES

To maintain a high level of corporate governance standard, the Board has set up three committees as follows:

1. Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the requirements set out in the CG Code. The Audit Committee is currently composed of two independent non-executive Directors, namely, Ms. Huang Xuanzhen and Mr. Cai Jiamei, and one non-executive Director, namely, Mr. Chen Ping, and is chaired by Ms. Huang Xuanzhen.

The primary duties of the Audit Committee, as set out in its written terms of reference, were to review the Group's annual report, audited consolidated financial statements and interim report and to provide advice and comments thereon to the Board. The Audit Committee was also responsible for reviewing and supervising the financial reporting process and ensuring timely financial reporting, reviewing the effectiveness of the audit process, reviewing the risk management and internal control systems and effectiveness of the internal audit function of the Group. In the course of doing so, the Audit Committee has had detailed discussions with the management, internal and external auditors of the Group during the year ended 31 December 2024. The Audit Committee has reviewed, among other things, the annual report and audited consolidated financial statements of the Group for the year ended 31 December 2024. In addition, during the year, the Audit Committee had detailed considerations and made recommendations to the Board on the change of auditor, the details of which were set out in the announcement and circular of the Company dated 30 September 2024 and 10 October 2024, respectively. The terms of reference of the Audit Committee have been published on the Stock Exchange's website.

2. Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the requirements set out in the CG Code. The Remuneration Committee currently comprises two independent non-executive Directors, namely, Mr. Cai Jiamei and Ms. Huang Xuanzhen, and one executive Director, Mr. Wang Feng, the Chairman and Chief Executive Officer, and is chaired by Mr. Cai Jiamei.

The main responsibilities of the Remuneration Committee, as set out in its written terms of reference, were to review and endorse the remuneration policies of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors and senior management. During the year, the Remuneration Committee discussed with the Chairman and Chief Executive Officer on its proposals relating to the remuneration of the Directors and senior management and has ensured that no Director has been involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee have been published on the Stock Exchange's website.

3. Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the requirements set out in the CG Code. The Nomination Committee currently comprises two independent non-executive Directors, namely, Ms. Huang Lianxi and Mr. Cai Jiamei, and one executive Director, Mr. Wang Feng, the Chairman and Chief Executive Officer, and is chaired by Ms. Huang Lianxi.

The responsibilities of the Nomination Committee, as set out in its written terms of reference, included reviewing the structure, size, composition and diversity of the Board on an annual basis; identifying individuals, in accordance with the Board diversity and nomination policy of the Company, suitably qualified to become members of the Board and selecting or making recommendations to the Board on selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the Chairman and Chief Executive Officer; setting out relevant information in the meeting circular and/or documents relating to any proposed resolution to elect an independent non-executive Director at general meeting of the Shareholders; and determining the policy for nomination of the Directors, which involving the consideration on the past performance, qualification and general market conditions in selecting and recommending prospective candidates for directorships. The terms of reference of the Nomination Committee have been published on the Stock Exchange's website.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 throughout the year ended 31 December 2024. Having made specific enquiries with 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 year ended 31 December 2024.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions were carried out by the Board pursuant to a set of terms of reference adopted by the Board in compliance with the CG Code, including (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the CG Report. During the year, the Board has reviewed the corporate governance policy of the Company and duties of the Board and its committees. The Board has also reviewed the CG Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for maintaining sound risk management and internal control systems and reviewing their effectiveness.

Measures have been established to provide an effective risk management system to identify, evaluate and manage significant risks, which included a defined organisational structure with clear lines of responsibility and authority, an appropriate management reporting system and a periodic risk self-assessment conducted by major business units to ensure the proper monitoring of significant risks and adequacy of relevant risk mitigation plans. The aforementioned measures also ensured the proper handling and dissemination of inside information.

Risk management and internal control systems have been designed for managing the Group's significant risks, safeguarding the Group's assets, maintaining proper accounting records, ensuring compliance with relevant laws and regulations, and providing reasonable assurance against material misstatement, loss or fraud. The purpose of the Group's risk management and internal control systems was to provide reasonable, but not absolute assurance, against material misstatement or loss and to manage rather than eliminate risks of failure of the operational system in order to achieve the Group's business objectives.

The Board has employed an ongoing process to review the effectiveness of the risk management and internal control systems, which consisted mainly of enquiry, discussion and validation through observation and inspection. During the reporting year, the Board held one meeting to appraise the validity of the Group's risk management and internal control systems in an all-round way, with the Supervisors and part of the senior management seated in the meeting. The Board's annual review for the year ended 31 December 2024 as aforementioned has satisfactorily covered the adequacy of resources, qualifications and experience, training programs and budget of the Group's accounting and financial reporting functions, as well as those relating to the Group's environmental, social and governance ("**ESG**") performance and reporting. The Board was of the view that the risk management and internal control systems were effective and adequate, and there were no irregularities, improprieties, fraud or other deficiencies that suggested material deficiency in the Group's the risk management and internal control systems.

The Board has established an internal audit function and considered that it has effectively carried out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of consolidated financial statements which gave a true and fair view, on a going concern basis. In preparing consolidated financial statements which gave a true and fair view, it was fundamental that appropriate accounting policies were selected and applied consistently. It was the independent auditor's responsibility to form an independent opinion, based on their audit, on the consolidated financial statements and to report their opinion to the Shareholders. The responsibilities of the independent auditor have been set out in the independent auditor's report on pages 46 to 50 of this annual report.

ANTI-CORRUPTION AND WHISTLEBLOWING POLICIES

The Group was committed to establishing a corporate culture of integrity and impartiality and had adopted anti-corruption and whistleblowing policies and systems. The information on the anti-corruption practices and whistleblowing procedures of the Group has been set out in the section headed "Environmental, Social and Governance Report" on pages 29 to 37 of this annual report.

GENDER DIVERSITY

With effective from 27 June 2024, Mr. Guan Zilong resigned as an executive Director and Ms. Wu Lihui was appointed as an executive Director. Since the date of change of the Directors and up to the date of this report, the Board comprised four male Directors and three female Directors (with a female ratio of approximately 42.86%, three females out of seven Directors). During the reporting year, the proportion of female directors increased and the Board considered that board diversity has been achieved. The Board targeted to maintain the current level of female representation in the Board, with the ultimate goal of achieving gender parity. However, no numerical targets and timelines for enhancing gender diversity have been set by the Board at present. In consideration of the Board's succession, the Nomination Committee would deploy multiple channels to identify suitable director candidates, including referrals from the Directors, Shareholders, management, advisors of the Company and external executive search firms, as and when appropriate. The Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

The gender ratio (female out of total) in the work force of the Group as at 31 December 2024 and 2023 were as follows:

	As at 31 December 2024	As at 31 December 2023
Board (%)	**42.86**	28.57
Supervisory Committee (%)	**66.67**	66.67
Senior management (%)	**28.57**	28.57
Other employees (%)	**26.32**	22.32
Total work force (%)	**26.51**	22.69

The Group has set an overall gender diversity target of 25% female representation across its businesses, as well as individual gender diversity targets for the hardware and computer software trading, smart city solutions and e-commerce operation solution services teams. To support the achievement of these targets, specific initiatives have included a review of the recruitment process, with job descriptions and postings amended to motivate a broader applicant pool, as well as changes to applicant screening and interviews. The predetermined target has been achieved at present

AUDITOR'S REMUNERATION

During the year, the Group incurred approximately RMB467,000 (2023: RMB620,000) and RMB9,000 (2023: RMB9,000) for remunerations in respect of audit services and non-audit services provided by the Company's auditor, respectively.

COMPANY SECRETARY

Mr. Fork Siu Lun Tommy is the Company Secretary and he is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He reported to the Chairman and Chief Executive Officer, and assisted the Board in functioning effectively and efficiently. During the year, Mr. Fork undertook not less than 15 hours of professional training to update his skill and knowledge.

SHAREHOLDER AND INVESTOR RELATIONS

1. Continuous disclosure and communication

The Company disclosed all necessary information to the Shareholders and potential investors in compliance with the GEM Listing Rules. The Company also replied to enquiries from the Shareholders timely. The Directors hosted the general meetings of the Shareholders held during the reporting year to meet the Shareholders and answer their enquiries. All votes of the Shareholders at the general meetings were taken by poll.

2. Changes in the Articles of Association

Pursuant to the special resolution passed by the Shareholders at their annual general meeting and class meetings held on 27 June 2024, the Articles of Association was amended to accommodate the updates on relevant PRC laws and regulations and the GEM Listing Rules, actual situation of the Company and needs of the Company to improve the flexibility and efficiency of its operations and development. Details of the amendments to the Articles of Association were set out in the circular of the Company dated 29 May 2024.

3. Shareholders' communication policy

The Company has established a shareholders' communication policy (the "**Shareholders Communication Policy**") to provide the Shareholders and potential investors with information about the Group to enable the Shareholders to exercise their rights in an informed manner and allow the Shareholders and potential investors to engage actively with the Group.

The Company strives to ensure that the Shareholders and potential investors have ready and timely access to all publicly available information of the Group. The Shareholders and potential investors may at any time make a request for publicly available information of the Group and/or communicate their views on various affairs of the Group for the Company's consideration by post addressed to (i) the principal place of business of the Company in the PRC at 11th Floor, Building 1, Xitou Innocentre, 239 Shuanglong Street, Xihu District, Hangzhou City, Zhejiang Province, the PRC for the attention of the secretary of the Board (for the holders of the Domestic Shares); or (ii) the principal place of business of the Company in Hong Kong at Room 1505, 15/F., Fullerton Centre, 19 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Company Secretary (for the holders of the H Shares). The Group will also take advantage of every opportunity to solicit and understand the views of the Shareholders and stakeholders during day-to-day operations. The Company encourages the Shareholders to attend the general meetings of the Shareholders and replies to enquiries from the Shareholders.

The Board has conducted a review of the Shareholders Communication Policy during the year and considered that the implementation of the policy was effective, based on the communication results with the Shareholders and potential investors.

4. Dividend policy

The Board has adopted a dividend policy (the "**Dividend Policy**") as set out below:

When the Board recommends or declares dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future business growth.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the following factors of the Company and its subsidiaries when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of the Shareholders, distributable profit and reserves, any restrictions on the payment of dividends and any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and declared by the Board for a financial year or period as interim dividend, final dividend, and any distribution of dividend that the Board may deem appropriate.

The Company may declare and pay dividends by way of cash or scrip or cash combined stock or by other means that the Board considers appropriate.

Any declaration and payment of dividends will be subject to Shareholders' approval and in compliance with the law of the PRC and Articles of Association.

The Board will review the Dividend Policy as appropriate from time to time, and there is no guarantee that any particular amount of dividends will be proposed or declared in any particular period in the future.

SHAREHOLDERS' RIGHTS

1. Convention of an extraordinary general meeting and making proposals at general meetings

Shareholders (the "**Eligible Shareholders**") holding at the date of deposit of the requisition an aggregate of ten per cent. (10%) or more, in aggregate or alone, of the shares (the "**Shares**") carrying the right of voting of the Company shall at all times have the right, by written requisition to the Company, to convene an extraordinary general meeting of the Shareholders.

The written requisition signed by the Eligible Shareholders should be deposited at (i) the principal place of business of the Company in the PRC for the attention of the secretary of the Board (for the holders of the Domestic Shares); or (ii) the principal place of business of the Company in Hong Kong for the attention of the Company Secretary (for the holders of the H Shares), at the addresses mentioned above.

The requisition must clearly state the name of the Eligible Shareholders concerned, their shareholding, the reason for convening an extraordinary general meeting, agenda proposed to be included as well as details of the business proposed to be transacted in the extraordinary general meeting.

When the Company convenes an annual general meeting of the Shareholders, Shareholders holding more than one per cent. (1%) or more, in aggregate or alone, of the Shares carrying the right of voting are entitled to propose new resolutions to the Company in written form. The Company shall include those matters which are within the scope of business of the general meeting of the Shareholders into the agenda of such meeting.

2. Sending of enquiries to the Board

Shareholders may send their enquiries and concerns to the Board to (i) the principal place of business of the Company in the PRC for the attention of the secretary of the Board (for the holders of the Domestic Shares); or (ii) the principal place of business of the Company in Hong Kong for the attention of the Company Secretary (for the holders of the H Shares), at the addresses mentioned above. In addition, the Company's website provides telephone number and fax number by which enquiries may be put to the Board.

By order of the Board
Wang Feng
Chairman and Chief Executive Officer

28 March 2025
Hangzhou City, the PRC

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board is pleased to present the ESG report (the "**ESG Report**") of the Group for the year ended 31 December 2024. This ESG Report covered the policies, compliance issues and key performance indicators (the "**KPI(s)**") relating to the environmental and social aspects of the Group. The information on the governance aspect of the Group has been set out in the section headed "Corporate Governance Report" on pages 20 to 28 of this annual report.

BASIS OF PREPARATION

1. Reporting framework

The ESG Report was prepared in accordance with the "ESG Reporting Code" (the "**ESG Reporting Code**") as set out in Appendix C2 to the GEM Listing Rules.

2. Reporting principles

The Group adhered to the following fundamental reporting principles set out in the ESG Reporting Code for the preparation of the ESG Report:

(i) Materiality

The ESG Report covered the aspects that were material to different stakeholders of the Group. The Board considered that the material aspects were those that reflected the Group's significant ESG impacts, or that substantially influenced the assessments and decisions of the Group's stakeholders. The Group obtained information through communication with its business partners and other interested parties through different communication channels (including online questionnaires and daily communication, etc.) during day-to-day operations. With reference to, amongst others, the Group's overall strategy, development, goals and targets, mingled with feedback collected from stakeholders, the Group analysed the relevant information to identify and prioritise material aspects. Issues and KPIs relating to the material aspects were included in the ESG Report to provide the stakeholders and public with a comprehensive and profound understanding of the effectiveness of the Group's ESG strategies and system implemented in pursuing sustainable development.

(ii) Quantitative

The Group recorded and disclosed the KPIs in quantitative terms as appropriate for evaluation and validation of the effectiveness of its ESG policies and system. The Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant KPIs disclosed in the ESG Report.

(iii) Balance

The ESG Report disclosed information in an objective manner, providing the stakeholders and public with an unbiased picture of the Group's overall ESG performance, and has not involved any selections, omissions or presentation formats that may inappropriately influence a decision or judgment by the stakeholders and public.

(iv) Consistency

As far as practicable and unless stated otherwise, the Group applied consistent measurement methodology to allow for meaningful comparison of its ESG performance over time. Any changes in the methods or KPIs used would be disclosed where applicable. There were no changes to the methods or KPIs used for the year ended 31 December 2024.

3. Compliance

For the year ended 31 December 2024, the Group (i) has disclosed the information required under the mandatory requirements for disclosure in the ESG Report set out in Part B of the ESG Reporting Code; and (ii) has complied with all "comply or explain" provisions set out in Part C of the ESG Reporting Code.

REPORTING BOUNDARY

The ESG Report included the Company and all its principal subsidiaries as set out in note 36 to the consolidated financial statements, covering the principal activities of the Group, namely, (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.

BOARD STATEMENT ON ESG GOVERNANCE STRUCTURE

The Board has overall responsibility for overseeing the Group's ESG issues and related risks and opportunities, including the setting of the ESG strategies and targets, establishment of the ESG system, and reviewing and reporting of the ESG performance.

The Group has implemented a top-down management approach within the Group for ESG management and has developed appropriate and effective ESG management systems and processes. The Board was responsible for the overall decision-making process and overseeing the formulation, administration and assessment of the ESG system. The Board has set up an ESG working group (the "**ESG Working Group**") comprising members from middle to senior management, which supported the Board in the daily management and monitoring of the ESG matters. The main responsibilities of the ESG Working Group were to formulate targets and specific implementation paths, set up relevant ESG working arrangements, coordinate, supervise and promote the ESG work in each department and secondary unit, collect relevant KPI data and prepare the ESG Report. Functional departments were responsible for the execution of measures to achieve the preset ESG-related strategies and targets. The Group maintained effective communication with the stakeholders through daily operations to understand and identify their needs, expectations and concerns regarding ESG factors of the Group, so that the importance of each ESG area could be assessed and long-term development approaches and strategies could be formulated. The Board monitored the ESG performance of the Group for the year in the process of reviewing and approving the ESG Report. The Board considered that all material ESG issues and their impacts on sustainable development of the Group were properly controlled and fairly presented in the ESG Report.

The Board would continue to review and monitor the Group's progress in relation to the ESG issues in order to bring greater benefits for the society as a whole, which was essential for the Group to build a more sustainable business.

ENVIRONMENTAL ASPECTS

1. Emissions

During the reporting year, the Group's operations did not involve any manufacturing plants and were related mainly to the provision of services. Accordingly, the Group's businesses have not directly involved any significant air and greenhouse gas ("**GHG**") emissions, discharges into water and land, generation of hazardous and non-hazardous waste and other environmental pollution emissions. During the year, the Group was not aware of any material non-compliance with the environmental laws and regulations in the PRC. No confirmed non-compliance incidents or complaints were noted by the Group in relation to environmental issues.

KPIs

(a) Emission types and data

During the year, the Group did not involve any direct air, GHG and other pollutant emissions due to its business nature (2023: nil).

(b) GHG emissions

As a group focusing on providing services, the Group operated its businesses mainly on office premises. For each of the two years ended 31 December 2024, the Group did not have Scope 1 GHG emissions and had Scope 2 GHG emissions mainly contributed by electricity consumption in the Group's office premises. The GHG emissions disclosed below were calculated with reference to the 2022 CO_2 Emission Factor for Electricity Calculation Coefficient (二零二二年電力二氧化碳排放因子核算系數) issued by the Ministry of Ecology and Environment of the PRC. As a result of the reduction in the office space used, the Group's total electricity consumption for the reporting year has dropped significantly when compared with the year 2023, which led to a significant decrease in indirect GHG emissions. However, due to a greater reduction in the number of employees, per capita GHG emissions remained stable.

	2024	2023
CO_2		
Scope 1 – Direct GHG emission (tonnes CO_2 equivalent)	**–**	–
Scope 2 – Energy indirect GHG emission (tonnes CO_2 equivalent)	**40.71**	52.56
Total GHG emissions (tonnes CO_2 equivalent)	**40.71**	52.56
GHG emission intensity (tonnes CO_2 equivalent/employee)	**0.40**	0.40

(c) Hazardous waste

During the year, the Group did not involve the generation of any significant hazardous waste due to its business nature (2023: nil).

(d) Non-hazardous waste

During the year, the Group did not involve the generation of any significant non-hazardous waste due to its business nature (2023: nil).

(e) Emission targets

In the absence of production process, the Scope 1 GHG emissions generated from the Group's business activities were relatively minimal, and the Group's services did not contribute to material impacts on the environment. Nevertheless, during each of the two years ended 31 December 2024, the Group had implemented various measures to minimise electricity consumption as described below, thus reducing the impact of the Scope 2 GHG emissions on the environment.

(f) Wastes management

During each of the two years ended 31 December 2024, the Group produced limited hazardous and non-hazardous wastes due to its business nature. The Group has committed to maintain minimal waste generation over the years to minimise the related impacts to the environment.

2. Use of resources

The key environmental impacts from the Group's operations were mainly related to electricity and paper consumption and related emissions. During the year, to achieve environmental protection, the Group encouraged its employees to efficiently use electricity, paper and other resources throughout all its operations (as described below) and reduce resource usage.

KPIs

(a) Electricity and paper consumption

	2024	2023
Electricity consumption (MWh)	**79**	102
Electricity consumption intensity (MWh/employee)	**0.78**	0.78
Paper consumption ('000 pieces)	**60**	57
Paper consumption intensity ('000 pieces/employee)	**0.59**	0.44

As a result of the reduction in the office space used, the Group's total electricity consumption for the reporting year has dropped significantly when compared with the year 2023. As the number of employees of the Group decreased and the extent of reduction was greater than the extent of reduction in total electricity consumption, per capita electricity consumption remained stable. Due to business development needs, the total paper consumption has increased slightly compared to the year 2023 and per capita paper consumption increased to a certain extent.

(b) Water consumption

Given its business nature, the Group had been continuously keeping the water consumption minimal over the years. There was only limited water consumption for the daily operations of the Group and, accordingly, the Group did not present the water consumption data for each of the two years ended 31 December 2024.

(c) Resource use efficiency targets

The Group believed that although there were no problems in obtaining resources, however, to achieve environmental protection, during each of the two years ended 31 December 2024, the Group had encouraged its employees to increase environmental awareness and to efficiently use electricity, paper, water and other resources throughout all its operations (as described below).

(d) Packaging materials used for finished products

The Group did not involve production activities and did not use packaging materials for finished products during the year ended 31 December 2024 (2023: nil).

3. The environment and national resources

The Group was committed to environmental responsibility through minimising adverse effects on the community, environment and natural resources while safeguarding the health and safety of the public. Although the Group's businesses did not involve any direct environmental pollution emissions, during the year under review, the Group executed practices that minimised its indirect impact on its environment and the natural resources, such as emissions associated with the generation of energy and production of papers.

KPI

Impact of the Group's activities on the environment and natural resources

The Group's businesses did not have any significant impact on the environment and natural resources. Despite that, during each of the two years ended 31 December 2024, the Group had raised environmental awareness for its employees and encouraged its employees to reduce electricity, paper and other resources consumption by shifting to e-statement or scanning, rationalising the daily use of all computers and office equipment, electrical lighting and air-conditioners, switching them off when the offices were closed at the end of the day and promoted daily business trips in an eco-friendly way, etc. The Group also promoted related solution products, city convenience services, and enhanced government service capabilities, thereby improving social operation efficiency and reducing resource consumption and emissions.

4. Climate change

During the reporting year, the Group has considered the potential climate-related risks in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures, in which potential physical risk and transition risk from climate change might pose adverse financial impacts on the Group's businesses.

KPI

Significant climate-related issues

During each of the two years ended 31 December 2024, the Group noted that acute physical risk could arise from extreme weather conditions such as heavy raining, flooding and storms and chronic physical risk could arise from sustained high temperature, while transition risk might result from the change in environmental-related regulations or change in customer preferences. Upon evaluation of the potential acute physical risk that might cause disruption to the business activities and supply network, the Group's offices did not locate in high-risk flood areas, and it maintained a strong supplier base so that it could source from alternate suppliers in the event of the suppliers being affected by extreme weather conditions. While the sustained high temperature might result in an elevation of electricity consumption, the Group has adopted energy conservation measures, as described above, in managing such risk. As for the potential transition risk, the Group continued to monitor the regulatory environment and the product market to ensure that its products met regulatory and customer demand and expectations. It was expected that potential extreme weather conditions, sustained high temperatures, change in environmental-related regulations and customer preference would not have a material impact on the Group's operations.

During each of the two years ended 31 December 2024, the Group was not aware of any material non-compliance of environmental laws and regulations in the PRC relating to air and GHG emissions, wastewater discharges, and generation of hazardous and non-hazardous waste. As such, the Group believed that its operations had posed no significant impact on the climate. Nevertheless, the Group would continue to monitor the climate-related risks and implement relevant measures to minimise the potential physical and transition risks. The Group would keep track of its business and formulate emergency mitigation if any suspected climate-related issues have occurred.

SOCIAL ASPECTS

1. Employment and labour practices

(i) Employment

The Group considered that employees were valuable assets and has committed to building an amicable and rewarding relationship with its employees. The Group has also actively played the bonding and lubrication role of the union between the employees and the Company.

During the year under review, employees were remunerated with salary packages commensurate with their job nature, qualifications, experience and performance. A brief description of the Group's remuneration policy has been set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 13 of this annual report. The Group also adopted a zero-tolerance policy towards any sort of discrimination at the workplace.

During the year ended 31 December 2024, the Group has complied with all relevant labour and employment laws and regulations in the PRC.

KPIs

(a) Total work force

		As at 31 December 2024	As at 31 December 2023
Total (persons):		**83**	119
Gender:	Male (persons)	**61**	92
	Female (persons)	**22**	27
Employment type:	Full-time (persons)	**81**	117
	Part-time (persons)	**2**	2
Age group:	Under the age of 30 (persons)	**13**	22
	Between the age of 30 – 50 (persons)	**62**	89
	Over the age of 50 (persons)	**8**	8
Geographical region:	PRC (persons)	**82**	118
	Hong Kong (persons)	**1**	1

(b) Employee turnover rate

		2024	2023
Gender:	Male (%)	**40.52**	26.72
	Female (%)	**24.49**	7.63
Age group:	Under the age of 30 (%)	**40.00**	10.69
	Between the age of 30 – 50 (%)	**37.09**	22.90
	Over the age of 50 (%)	**25.00**	0.76
Geographical region:	PRC (%)	**37.00**	34.35
	Hong Kong (%)	**–**	–

During the reporting year, in order to improve overall efficiency, implement cost reduction and efficiency enhancement activities, the Group strictly controlled the number of employees and further proactively reduced its workforce. As a result, the employee turnover rate increased when compared with the year 2023.

(ii) Health and safety

The Group strove to provide a safe and healthy work environment which enhanced employee performance and company-employee relationship. During the year ended 31 December 2024, the Group was not aware of any material non-compliance with the health and safety laws and regulations in the PRC.

KPIs

(a) Work-related fatalities

During each of the three years ended 31 December 2024, no work-related fatalities or serious injuries on staff members resulted from the Group's operations.

(b) Lost days due to work injury

During the year ended 31 December 2024, there were nil lost days due to work injury relating to the Group's operations (2023: nil).

(c) Occupational health and safety measures

During each of the two years ended 31 December 2024, the Group worked its best to cultivate a harmonious workplace, provided free physical health-checkups for the employees and bought accidental and health insurance as well as employers liability insurance for the employees. Also, the Group reviewed the office environment and safety policies regularly, and accomplished employee on-site office safety and transportation safety publicity.

(iii) Development and training

The Group provided internal training for employees to enhance job performance and opportunities such as internal job competition and rotation promotion to achieve promotion within the Group. A brief description of the Group's staff development and training policy during the year under review has been set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 13 of this annual report.

KPIs

(a) Percentage of employee trained

In each of the two years ended 31 December 2024, the Group provided training to all employees in accordance with the training plan to enhance their knowledge and skills required to perform their job duties.

(b) Average training hours completed per employee

		2024	2023
Gender:	Male (hours)	**14.22**	15.02
	Female (hours)	**14.08**	14.56
Employee category:	Senior management (hours)	**39.17**	44.50
	Middle management (hours)	**27.00**	23.34
	Junior employee (hours)	**8.89**	10.14

(iv) Labour standards

The Group would not employ any staff below 18 years of age. No employee would have been paid less than the minimum wage or had been required to work over the maximum working hour specified by the government regulations. During the year under review, the Group has complied with all PRC laws and regulations on prohibition of child and forced labour.

KPIs

(a) Measures to review employment practices to avoid child and forced labour

During each of the two years ended 31 December 2024, the Group employed a stringent recruitment process that included verifying personal information of applicants. The staff member responsible for recruitment would collect identity proof from the candidates to ensure that the age of the candidates fulfilled the requirements as stipulated by the law.

(b) Steps to eliminate child and forced labour practices when discovered

During each of the two years ended 31 December 2024, the employment of child and forced labour was strictly prohibited. If the management of the Group discovered there was any employment of child and forced labour, the employment concerned would be terminated immediately.

2. Operating practices

(i) Supply chain management

The Group strove to be the national strategic business partner of its customers by providing products and services that met or exceeded customers' requirements for quality, reliability and value. In accomplishing this goal, during the year under review, the Group endeavoured to build long-term and mutually beneficial relationships with its suppliers, which played a crucial role in providing high quality products and ensuring reliable delivery to its customers.

KPIs

(a) Suppliers by geographical region

During the year ended 31 December 2024, the Group purchased from 173 (2023: 140) PRC suppliers and had no overseas suppliers (2023: nil).

(b) Practices relating to engaging suppliers

During each of the two years ended 31 December 2024, the Group paid great attention to the performance of existing suppliers, including but not limited to their scale, products and/or service quality, efficiency, reputation, supply stability and cost-effectiveness, and selected qualified new suppliers based on the criteria defined by the Group. In the daily cooperation with suppliers, the Group also regularly evaluated them to ensure that they met the standards and would terminate the cooperation with suppliers that failed to meet the standards.

(c) Practices to identify environmental and social risks along the supply chain

During each of the two years ended 31 December 2024, the Group conducted necessary assessments of suppliers on environmental and social risk aspects in the course of daily operations. In addition to reviewing the necessary qualifications such as environmental assessment reports and business licenses, the Group would also include other conditions like whether they have obtained other industry-related supporting qualifications such as environmental friendliness certifications and safety production licenses, etc., as auxiliary evaluation requirements.

(d) Practices to promote environmentally preferable products and services when selecting suppliers

During each of the two years ended 31 December 2024, the Group encouraged employees to attach importance to environmental protection and encouraged the purchases of environmentally friendly products to minimise the negative impact on the environment during business operations. During its cooperation with suppliers, the Group also encouraged suppliers to provide environmentally friendly products and services, and provided customers with more environmentally friendly products and services.

(ii) Product responsibility

Due to the nature of its businesses, the Group did not manufacture physical products and mainly provided services and sold products provided by upstream suppliers, and did not have significant impacts in relation to product responsibility. During the year under review, the Group was not aware of any material non-compliance with the relevant product responsibility laws and regulations in the PRC.

KPIs

(a) Products sold or shipped subject to recalls for safety and health reasons

During the year ended 31 December 2024, no products sold or shipped were subject to recalls for safety or health reasons (2023: nil).

(b) Products and service-related complaints

During each of the two years ended 31 December 2024, the Group has not been involved in any significant claims or litigations relating to its businesses, operations and products.

(c) Practices relating to observing and protecting intellectual property rights

During each of the two years 31 December 2024, the Group attached importance to and complied with relevant intellectual property laws and regulations that have a significant impact on its business operations, including the PRC Trademark Law and PRC Copyright Law, etc., in the PRC. The Group also paid attention to the protection of its own intellectual property rights and handled the relevant registration procedures in a timely manner. If any third party infringed the intellectual property rights of the Group, it would take legal action in a timely manner to safeguard the interests of the Group.

(d) Quality assurance process and recall procedures

During each of the two years ended 31 December 2024, the Group was committed to providing high-quality products and services and avoiding quality risks as much as possible. In order to ensure the quality of the products provided, the Group selected high-quality suppliers and required them to provide qualified products with relevant necessary certificates. The Group also deployed relevant quality management departments and technical personnel to conduct necessary quality control of the output of products and services. In the event of quality problems, the Group would promptly confirm with the suppliers and pursue the suppliers' responsibilities (if they were related to the suppliers). At the same time, the Group would provide customers with refunds, returns or discounts to deal with products and services with quality problems.

(e) Customer data protection and privacy policies

During each of the two years ended 31 December 2024, the Group was committed to protecting customer information and privacy, and abided by the relevant privacy laws and regulations in the PRC, including the PRC Cybersecurity Law and the PRC Consumer Rights Protection Law. The Group implemented strict procedures for the collection, retention and disclosure of personal data, and only relevant responsible personnel had access and review rights, so as to minimise the exposure of customer information to ensure the safety of customer privacy.

(iii) Anti-corruption

The Group was committed to maintaining a high standard of business ethics and has implemented policies and practices to prohibiting bribery, extortion, fraud, and money laundering. During the year under review, the Group was not aware of any material non-compliance with the laws and regulations in the PRC relating to bribery, extortion, fraud and money laundering and no such cases were reported relating to the businesses and operations of the Group.

KPIs

(a) Legal cases regarding corruption

During the year ended 31 December 2024, no bribery, extortion, fraud and money laundering cases were reported relating to the businesses and operations of the Group (2023: nil).

(b) Anti-corruption practices and whistle-blowing procedures

During each of the two years ended 31 December 2024, the Group was committed to establishing a corporate culture of integrity and impartiality, establishing a good corporate image, and abiding by laws and regulations such as the PRC Anti-Unfair Competition Law. It has internally formulated relevant standard anti-corruption management system and clearly required employees to regulate their behaviours in daily work and, not to commit any corruption or bribery. The Group had also set up a supervisory department to conduct irregular internal inspections and established a smooth supervision and whistle-blowing mechanism. Upon receipt of any report, the Group would conduct careful inspections immediately and take appropriate actions in a timely manner once corruption and/or bribery has been confirmed.

(c) Staff training on anti-corruption

During each of the two years ended 31 December 2024, the Group conducted relevant anti-corruption training and reminded employees and cooperation partners to regulate their behaviour by urging its employees to sign anti-commercial bribery commitment letters and encouraging its cooperation partners to sign business ethics responsibility letters.

(iv) Community

During the year, the Group took pride in participating in community events and volunteer activities as a key component of its commitment to corporate responsibility. The Group encouraged its employees to get involved in relevant engagements and organised charitable donation activities, which provided opportunities for the Group and its employees to contribute to improving local communities.

KPI

Areas and resources of contribution

During each of the two years ended 31 December 2024, the Group continued to, as in previous years, actively participated in and encouraged employees to join the "Charity Day Donation (慈善一日捐)" and other donations and clothing donation activities. In addition, in combination with business-related characteristics, by providing technical support for organisations such as Hangzhou Federation of Trade Unions, the Group indirectly facilitated the development of online vocational skills, health, culture and other aspects of learning for the majority of enterprise employees. According to its own enterprise situation, the Group invested limited-value property for community services and care. The Group would use its own resources to encourage its employees to work together to seek more community service activities and actively contribute to the improvement of the community.

By order of the Board
Wang Feng
Chairman and Chief Executive Officer

28 March 2025
Hangzhou City, the PRC

REPORT OF THE DIRECTORS

The Board is pleased to present its annual report for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company has been principally engaged in the trading of hardware and computer software and investment holding. The businesses of the Company's principal subsidiaries were set out in note 36 to the consolidated financial statements.

An analysis of the Group's revenue and loss before tax for the year on business segment activities basis has been set out in note 10 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2024 has been set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" on pages 3 and 4, pages 5 to 13 and pages 29 to 37 of this annual report, respectively.

RESULTS AND APPROPRIATIONS

The Group's results for each of the two years ended 31 December 2024 and its state of affairs as at 31 December 2024 and 2023 were set out in the consolidated financial statements on pages 51 to 101 of this annual report.

The Board did not recommend the payment of a final dividend for the year (2023: nil).

RESERVES AVAILABLE FOR DISTRIBUTION

At 31 December 2024, the Group did not have reserves available for distribution to owners of the Company (2023: nil).

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during each of two years ended 31 December 2024 were set out in note 17 to the consolidated financial statements.

BORROWINGS

Details of the Group's bank borrowings at the end of each of the two years ended 31 December 2024 were set out in note 28 to the consolidated financial statements.

PAID-IN CAPITAL

Details of the Company's paid-in capital at the end of each of the two years ended 31 December 2024 were set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during each of the two years ended 31 December 2024 were set out in the consolidated statement of changes in equity on page 53 of this annual report.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group were set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 74.03% (2023: 68.99%) of the Group's revenue and the largest customer of the Group accounted for approximately 50.94% (2023: 46.73%) of the Group's revenue for the year.

The five largest suppliers of the Group in aggregate accounted for approximately 81.35% (2023: 85.17%) of the Group's direct purchases and the largest supplier of the Group accounted for approximately 56.68% (2023: 57.94%) of the Group's direct purchases for the year.

None of the Directors, Supervisors, their respective associates, or any Shareholders, which to the knowledge of the Directors and Supervisors owned more than 5% of the Company's issued share capital, had any interests in any of the five largest customers and five largest suppliers of the Group for each of the two years ended 31 December 2024.

FINANCIAL SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2024 and the Group's assets and liabilities as at 31 December 2024, 2023, 2022, 2021 and 2020 was set out on page 102 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this report were:

Executive Directors

Mr. Wang Feng
Mr. Xu Jianfeng
Ms. Wu Lihui *(appointed with effective from 27 June 2024)*
Mr. Guan Zilong *(resigned with effective from 27 June 2024)*

Non-Executive Director

Mr. Chen Ping

Independent Non-Executive Directors

Mr. Cai Jiamei
Ms. Huang Lianxi
Ms. Huang Xuanzhen

Supervisors

Mr. Song Zhiwei
Ms. Shen Xiaofen
Ms. Shen Rujia

The term of appointment of the non-executive Director, Mr. Chen Ping, is from 29 June 2023 until 28 June 2026.

The Company considered all independent non-executive Directors to be independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each Director and Supervisor has entered into a service agreement with the Company expiring on 28 June 2026. All appointments are subject to termination in certain circumstances as stipulated in the relevant service agreements.

Saved as disclosed above, none of the Directors or Supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Group were set out in the section headed "Directors, Supervisors and Senior Management" on pages 14 to 19 of this annual report.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

The Group has adopted an emolument policy as set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 13 of this annual report. The Directors', Supervisors' and the Company's senior management's emoluments were determined by the Board with reference to their duties, responsibilities, performance and recommendations by the Remuneration Committee.

Details of the remuneration of the Directors and Supervisors and that of the highest paid employees of the Group for the year were set out in notes 11 and 12 to the consolidated financial statements, respectively.

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

Save as disclosed below, as at 31 December 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' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2023: nil).

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

During the year ended 31 December 2024, none of the Directors, Supervisors or chief executives of the Company was granted options to subscribe for the Shares (2023: nil). As at 31 December 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 of the Company, if applicable) or to acquire the Shares (2023: nil).

COMPETING INTERESTS

None of the Directors, Supervisors 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.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, Supervisors or chief executives of the Company, as at 31 December 2024, there were no persons or companies (other than the interests as disclosed above held by a Director) who had equity interests or short positions in the Shares or underlying Shares 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	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%
Ms. Qian Xiaomei	Interests of spouse	193,316,930 Domestic Shares and 117,600,000 H Shares (Note 3)	61.38%

Name	Capacity and nature of interests	Number of Shares held	Percentage of beneficial interests in the Company's share capital
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.

FINANCIAL ASSISTANCE TO AN ENTITY

As at the date of the equity transfer agreement in relation 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 the Disposal Group was held by the Group, for the Disposal Group's ordinary working capital purposes, 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 was 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 and circular of the Company dated 6 September 2022 and 25 November 2022, respectively.

As at 31 December 2024, the Debt was classified as loan receivable in the Group's consolidated statement of financial position, with a zero carrying balance (2023: RMB1,594,000, representing approximately 1.83% of the Group's total assets), net of accumulated allowance for impairment loss of approximately RMB11,000,000 (2023: RMB9,406,000). For the year ended 31 December 2024, an impairment loss of approximately RMB1,594,000 (2023 RMB5,255,000) has been recognised. Details of the loan receivable were set out in note 25 to the consolidated financial statements.

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 31 December 2024 and 2023.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group as set out in note 33 to the consolidated financial statements for each of the two years ended 31 December 2024 were not required to be disclosed and/or reported as connected transactions in accordance with the requirements of Chapter 20 of the GEM Listing Rules.

COMPANY SECRETARY

Mr. Fork Siu Lun Tommy is the Company Secretary and he is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors and Supervisors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2024 (2023: nil).

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Articles of Association.

AUDIT COMMITTEE

The Company established the Audit Committee in November 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The primary duties of the Audit Committee were to review the Group's annual report, audited consolidated financial statements and interim report and to provide advice and comments thereon to the Board, and to review and to provide supervision over the financial reporting process and risk management and internal control systems of the Group. The current Audit Committee comprises two independent non-executive Directors, Ms. Huang Xuanzhen and Mr. Cai Jiamei and one non-executive Director, Mr. Chen Ping, whereas Ms. Huang Xuanzhen is the chairman. During the year, the Audit Committee reviewed the interim report of the Group for the year 2024 and annual report of the Group for the year 2023. The Audit Committee has also reviewed the annual report of the Group for the year 2024.

AUDITOR

During the year, SHINEWING (HK) CPA Limited ("**SHINEWING**") resigned as the auditor of the Company, with effective from 26 September 2024. Confucius International CPA Limited ("**Confucius International**") was appointed as the auditor of the Company to fill the casual vacancy following the resignation of SHINEWING, with effective from 31 October 2024, and hold office until the conclusion of the next annual general meeting of the Company. Details of the change of auditor were set out in the announcement and circular of the Company dated 30 September 2024 and 10 October 2024, respectively.

The consolidated financial statements of the Group for each of the two years ended 31 December 2023 were audited by SHINEWING. The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by Confucius International.

By order of the Board
Wang Feng
Chairman and Chief Executive Officer

28 March 2025
Hangzhou City, the PRC

* *For identification purposes only*

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is pleased to present its annual report for the year ended 31 December 2024.

SUPERVISORY COMMITTEE OPERATION REVIEW

During the reporting year, two meetings of the Supervisory Committee were held to review, among other things, the operating results of the Group. During the year, the Supervisory Committee has examined the legitimacy and validity, pursuant to the investiture of the Shareholders' general meeting and Articles of Association, upon the convocation and voting procedures of meetings of the Board. We inspected whether the resolutions passed by the Board corresponded with the PRC laws and stipulations of the Articles of Association or not, and adduced feasible proposals. The Supervisory Committee considered that the convocation and voting procedures of meetings of the Board corresponded with the PRC laws and Articles of Association. The resolutions passed by the general meetings of the Shareholders have been executed effectively. The suggestions put forward by the Supervisory Committee have been valued and adopted.

FINANCIAL POSITION OF THE GROUP

During the reporting year, the Supervisory Committee supervised and inspected the operating results of the Group. It was considered that the report issued by the auditor of the Company presented truly, precisely and fairly the operating results of the Group. The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards and have been compiled with the PRC statutory regulations correlated with accounting matters.

ETHICS OF THE DIRECTORS AND SENIOR MANAGEMENT

During the reporting year, the Supervisory Committee executed its obligations and supervised the ethics of the Directors and senior management, in order to raise the Directors' and senior management's onus to perform their duties with good faith and due diligence and avoid the operational risk incurable to the Group or damages to the interests of the Shareholders because of personal fault.

During the reporting year, the Supervisory Committee inspected and found that the Directors and managers had not violated the PRC laws, regulations, and Articles of Association when executing their duties. The Directors and senior management have performed their duties and there was no occurrence of impairment to the interests of the Shareholders either.

By order of the Supervisory Committee
Song Zhiwei
Chairman of the Supervisory Committee

28 March 2025
Hangzhou City, the PRC

INDEPENDENT AUDITOR'S REPORT

PAN-CHINA 天健國際會計師事務所有限公司
Confucius International CPA Limited Certified Public Accountants

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TO THE MEMBERS OF SHENGHUA LANDE SCITECH LIMITED
浙江升華蘭德科技股份有限公司
(established as a joint stock limited company in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Shenghua Lande Scitech Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 51 to 101, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (the "**IFRSs**") as issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Impairment assessment of trade and bills receivables and contract assets

Refer to notes 21 and 23 to the consolidated financial statements and the accounting policies on pages 60 and 64 to 68.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2024, the Group had trade and bills receivables, and contract assets of approximately RMB78,344,000 and RMB2,580,000 respectively, net of allowance for impairment loss of approximately RMB10,270,000 and RMB44,000 respectively. Expected credit loss model using the provision matrix has been adopted for estimating the impairment loss on trade and bills receivables, and contract assets, which involved significant management judgement on the key inputs and assumptions including the historical loss rates and forward-looking information taking into account both current and forecast general economic conditions. We have identified the impairment assessment of trade and bills receivables, and contract assets as a key audit matter because the loss allowance involves significant degree of management estimation.	Our audit procedures were designed to review the management's process of determination of historical loss rates and forward-looking information in assessing the loss allowance and challenge the reasonableness of the methods and assumptions used to estimate the loss allowance. We have assessed, on a sample basis, whether items in the trade and bills receivables ageing report were classified within the appropriate ageing category by comparing individual items in the report with the relevant sales invoices and tested the accuracy of the historical default data by evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information as at 31 December 2024.

Impairment assessment of loan receivable

Refer to note 25 to the consolidated financial statements and the accounting policies on pages 64 to 68.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2024, the Group had loan receivable of approximately RMB11,000,000, and an allowance for impairment loss of approximately RMB11,000,000 was made. Expected credit loss model using the credit risk methodology has been adopted for estimating the impairment loss on loan receivable, which involved significant management judgement on the key inputs and assumptions including the loss rate taking into account borrower credit rating and forward-looking information taking into account both current and forecast general economic conditions. We have identified the impairment assessment of loan receivable as a key audit matter because the loss allowance involves significant degree of management estimation.	Our audit procedures were designed to review the management's process of determination of loss rate and forward-looking information in assessing the loss allowance and challenge the reasonableness of the methods and assumptions used to estimate the loss allowance. We have assessed whether the loan receivable was classified within the appropriate credit rating category by checking the debtor's financial information; tested the reasonableness of the default rate by evaluating whether the loss rates is appropriately adjusted based on current economic conditions and forward-looking information.

OTHER INFORMATION

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by the previous auditor of the Group who expressed an unmodified opinion on those statements on 26 March 2024.

Confucius International CPA Limited
Certified Public Accountants
Fung Kar Heng Samantha
Practising Certificate Number: P08253

Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** **RMB'000**	2023 RMB'000
Revenue	7	**185,043**	98,089
Cost of sales		**(164,209)**	(86,574)
Gross profit		**20,834**	11,515
Other operating (expenses) income, net gains or losses	8	**(4,556)**	(18,281)
Distribution and selling expenses		**(6,216)**	(7,320)
General and administrative expenses		**(11,100)**	(14,466)
Research and development expenditure		**(4,446)**	(13,187)
Finance costs	9	**(680)**	(353)
Loss before tax		**(6,164)**	(42,092)
Income tax expenses	13	**(342)**	(681)
Loss and total comprehensive expense for the year		**(6,506)**	(42,773)
Loss per share Basic and diluted (RMB)	16	**(1.28) cents**	(8.44) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Plant and equipment	17	**1,926**	2,660
Intangible assets	18	**–**	–
Deferred tax assets	29	**285**	259
Goodwill	19	**–**	–
Loan receivable	25	**–**	1,594
		2,211	4,513
Current assets			
Inventories	20	**6,146**	17,105
Trade and bills receivables	21	**78,344**	39,860
Prepayments and other receivables	22	**5,269**	5,559
Contract assets	23	**2,580**	4,800
Bank balances and cash	24	**15,594**	15,308
		107,933	82,632
Current liabilities			
Trade and other payables	26	**33,230**	19,904
Contract liabilities	27	**351**	1,040
Bank borrowings	28	**28,828**	11,960
		62,409	32,904
Net current assets		**45,524**	49,728
Total assets less current liabilities		**47,735**	54,241
Capital and reserves			
Paid-in capital	30	**50,655**	50,655
Reserves	31	**(2,920)**	3,586
Total equity		**47,735**	54,241

The consolidated financial statements on pages 51 to 101 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Mr. WANG Feng
Director

Mr. XU Jianfeng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Paid-in capital RMB'000	**Share premium** RMB'000	**Statutory surplus reserve** RMB'000 (note 31)	**Accumulated losses** RMB'000	**Total equity** RMB'000
At 1 January 2023	50,655	101,336	13,767	(68,744)	97,014
Loss and total comprehensive expense for the year	–	–	–	(42,773)	(42,773)
At 31 December 2023 and at 1 January 2024	**50,655**	**101,336**	**13,767**	**(111,517)**	**54,241**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(6,506)**	**(6,506)**
At 31 December 2024	**50,655**	**101,336**	**13,767**	**(118,023)**	**47,735**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(6,164)**	(42,092)
Adjustments for:			
Amortisation of intangible assets	18	**–**	25
Write off of trade and other payables	8	**(229)**	–
Government grants	8	**(425)**	(106)
Interest income from loan receivable	8	**–**	(550)
Interest income from banks	8	**(112)**	(396)
Finance costs	9	**680**	353
Depreciation of plant and equipment	17	**715**	936
Loss on disposal of plant and equipment		**11**	209
Reversal on impairment loss on inventories		**(62)**	(25)
Impairment loss of loan receivable		**1,594**	5,255
Impairment loss of other receivables, net		**105**	554
Impairment loss of trade and bills receivables		**3,617**	11,461
Impairment loss of contract assets		**44**	–
Impairment loss of goodwill		**–**	1,856
Operating cash flows before movements in working capital		**(226)**	(22,520)
Decrease (increase) in inventories		**11,021**	(9,785)
(Increase) decrease in trade and bills receivables		**(42,101)**	2,645
Decrease (increase) in prepayments and other receivables		**185**	(810)
Decrease (increase) in contract assets		**2,176**	(249)
Increase in trade and other payables		**13,555**	3,243
(Decrease) increase in contract liabilities		**(689)**	397
Cash used in operations		**(16,079)**	(27,079)
Income tax paid		**(368)**	(6)
NET CASH USED IN OPERATING ACTIVITIES		**(16,447)**	(27,085)

	Notes	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES			
Purchase of plant and equipment		**(10)**	(853)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	18,035
Interests received		**112**	396
Proceeds from disposal of plant and equipment		**18**	80
NET CASH FROM INVESTING ACTIVITIES		**120**	17,658
FINANCING ACTIVITIES			
New bank borrowings raised	32	**37,068**	17,938
Government grants received		**425**	106
Interests paid on bank borrowings	32	**(680)**	(353)
Repayment of bank borrowings	32	**(20,200)**	(15,978)
NET CASH FROM FINANCING ACTIVITIES		**16,613**	1,713
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**286**	(7,714)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**15,308**	23,022
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**15,594**	15,308

1. GENERAL

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

In opinion of the directors of the company (the "**Directors**"), its immediate holding company is Zhejiang Shenghua Holdings Group Company Limited, a limited company incorporated in the PRC and its ultimate holding company is Deqing Huisheng Investment Company Limited, a limited company incorporated in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in the trading of hardware and computer software, and investment holding. The principal activities of its subsidiaries are set out in note 36.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**").

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

New and amended IFRSs that are effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs and International Accounting Standards ("**IAS(s)**") issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the Amendments to Reference to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

New and amended IFRSs issued but not yet effective

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

Amendments to IAS 21	Lack of Exchangeability[1]
IFRS 18	Presentation and Disclosures in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to IFRS Accounting Standards (Volume 11)	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 Effective date to be determined

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

3. MATERIAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangement;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("**CGU**") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU (or groups of CGU) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGU) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGU). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Revenue recognition

The Group recognised revenue from the following major sources:

- Trading of hardware and computer software
- Provision of smart city solutions
- Provision of e-commerce operation solution services

3. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(i) Trading of hardware and computer software

Revenue is recognised at a point in time when the control of goods is transferred to the customers, generally on delivery of goods to the customer's specified location, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits from these products.

Advance payment from customers on revenue recognition is recognised as contract liabilities in the consolidated statement of financial position.

(ii) Provision of smart city solutions

Revenue from provision of smart city solutions is recognised over time.

The provision of smart city solutions included a comprehensive set of professional services namely system maintenance service, system enhancement service and software development, sourcing and system installation service.

For the system maintenance services, the customer simultaneously receives and consumes the benefits provided by the Group's performance. Revenue from provision of such services is recognised over time on a straight-line basis over the period of the service.

For the system enhancement services and software development, sourcing and system installation services, the Group provides system upgrading and modification services to the customer's existing system. Revenue from provision of such services is recognised over time as the Group's performance creates or enhances an asset that the customer controls as the system is created and enhanced.

The progress towards complete satisfaction of a performance obligation is measured based on output method on achievement of a specified milestone.

The Group's contracts with customers include payment schedules which require stage payments over the contract period once milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 50% of total contract sum as part of its credit risk management policies and this has resulted in a contract liability at early stages. The Group also typically provides warranty to ensure that services performed comply with agreed-upon specifications for a specified period and, therefore agrees to a retention money of certain percentage of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing the warranty period.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, bank balances and cash comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets at initial recognition. The Group's financial assets are classified as financial assets at amortised cost and financial assets at FVTPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other operating (expenses) income, net gains or losses" line item.

Financial assets at FVTPL

The Group's wealth management products are classified as financial assets at FVTPL as they do not meet the criteria for being measured at amortised cost or financial assets at fair value through other comprehensive income.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses ("**ECL**") for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 36 months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on plant and equipment (other than impairment of goodwill set out in accounting policy above)

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Impairment losses on plant and equipment (other than impairment of goodwill set out in accounting policy above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value, except for the net realisable value of inventories and value-in-use of plant and equipment, goodwill and intangible asset for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make, judgements, estimates and assumptions about amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for loan receivable

The impairment provision for loan receivable is based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the default rate of the borrower and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2024, the carrying amount of loan receivable was approximately RMB nil (2023: 1,594,000), net of accumulated impairment of approximately RMB11,000,000 (2023: RMB9,406,000). During the year ended 31 December 2024, impairment loss of approximately RMB1,594,000 (2023: RMB5,255,000) has been recognised. Detail of loan receivable is disclosed in note 25.

Estimated impairment of plant and equipment

The management of the Group determines whether the Group's plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amounts of the plant and equipment, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the Group's management to make an estimate of the expected future cash flows from the plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss. The value in use involves high degree of judgement, estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2024, the carrying amounts of plant and equipment were approximately RMB1,926,000 (2023: RMB2,660,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Provision of ECL for trade and bills receivables and contract assets

The Group uses a provision matrix to calculate the ECL for trade and bills receivables and contract assets. Except for that are not individually assessed, the Group determines the ECL on these items on a collective basis, grouped by aging status and past due status. The provision rates are based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2024, the carrying amount of trade and bills receivables and contract assets were approximately RMB78,344,000 and RMB2,580,000 (2023: RMB39,860,000 and RMB4,800,000) respectively, net of accumulated impairment of approximately RMB10,270,000 and RMB44,000 (2023: RMB13,426,000 and nil) respectively. During the year ended 31 December 2024, impairment loss of approximately RMB3,617,000 and RMB44,000 (2023: RMB11,461,000 and nil) has been recognised. Details of trade and bills receivables and contract assets are disclosed in notes 21 and 23, respectively.

Allowance for inventories

The management of the Group reviews ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving inventory items identified. The management also estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions which involve judgement in respect of the expectation about the market condition and the future demand for such items in inventory. As at 31 December 2024, the carrying amount of inventories was approximately RMB6,146,000 (2023: RMB17,105,000), net of accumulated allowance of approximately RMB51,000 (2023: RMB113,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 28, net of bank balances and cash disclosed in note 24 and equity attributable to owners of the Company, comprising paid in capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 **RMB'000**	2023 RMB'000
Financial assets		
Financial assets at amortised cost	**99,382**	64,483
Financial liabilities		
Financial liabilities at amortised cost	**58,507**	30,781

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, contract assets, other receivables, loan receivable, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Group's exposure to foreign currency risk relates 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 relevant group entity.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong Dollar ("**HKD**")	**31**	33	**–**	80
United States Dollar ("**USD**")	**392**	573	**218**	144
Euro ("**EUR**")	**593**	620	**187**	195
Japanese Yen ("**JPY**")	**6**	6	**–**	–

The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective group entity's functional currency. 5% (2023: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2023:5%) change in foreign currency rates.

A positive number below indicates a decrease (2023: decrease) in post-tax loss (2023: post-tax loss) where the respective functional currencies of the group entity weaken 5% (2023: 5%) against the relevant foreign currencies. For a 5% (2023: 5%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be positive.

	2024	2023
	RMB'000	RMB'000
Impact on post-tax loss for the year		
HKD	**2**	(2)
USD	**9**	16
EUR	**20**	16
JPY	**–**	1

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Interest rate risk

The Group's exposure to cash flow interest rate risk is through the impact of rate changes on interest-bearing financial assets. Interest bearing financial assets is mainly balances with banks which are all short-term in nature and variable rate bank borrowings. The management monitors the movement in market interest rates and reviews such impact on the Group on a continuous basis to ensure that any future variations in interest rate will not have a significant adverse impact on the results of the Group.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and bank borrowings at the end of reporting period. The analysis is prepared assuming bank balances outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point (2023: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss (2023: post-tax loss) for the year ended 31 December 2024 would increase/decrease by approximately RMB28,000 (2023: decrease/increase by approximately RMB13,000). This is mainly attributable to the Group's exposure to interest rates on bank balances and bank borrowings.

(ii) Credit risk

As at 31 December 2024 and 2023 the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from bank balances and cash, trade and other receivables, loan receivable, contract assets and financial assets at FVTPL. The carrying amounts of these balances represent Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For trade and bills receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate, on a collectively basis, grouped by aging status and post due status, which are not individually assessed.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade and bills receivables within lifetime ECL (not credit-impaired).

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is drawn from the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

			As at 31 December 2024			As at 31 December 2023		
	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade and bills receivables	Note	Lifetime ECL (simplified approach)	88,614	(10,270)	78,344	53,286	(13,426)	39,860
Contract assets	Note	Lifetime ECL (simplified approach)	2,624	(44)	2,580	4,800	–	4,800
Loan receivable	Default	Lifetime ECL (credit-impaired)	11,000	(11,000)	-	11,000	(9,406)	1,594
Other receivables	Default	Lifetime ECL (credit-impaired)	725	(725)	-	725	(620)	105
Other receivables	Performing	12-month ECL	2,864	-	2,864	2,815	–	2,815
Other receivables	Default	Lifetime ECL (credit-impaired)	74	(74)	-	74	(74)	–
				(22,113)			(23,526)	

Note: For trade and bills receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The Group's concentration of credit risk by geographical location is solely in the PRC, which accounted for 100% of trade receivables as at 31 December 2024 and 2023. As at 31 December 2024, the Group had concentration of credit risk as 37% (2023: 22%) and 72% (2023: 55%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

While bank balances are also subject to impairment assessment under IFRS 9, no loss allowance is made as the credit risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Directors are satisfied that the Group will be able to meet in full its financial obligations as and when fall due in the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average interest rate	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2024					
Bank borrowing	**3.57%**	**29,011**	**–**	**29,011**	**28,828**
Trade and other payables		**29,679**	**–**	**29,679**	**29,679**
		58,690	**–**	**58,690**	**58,507**
As at 31 December 2023					
Bank borrowing	3.74%	12,111	–	12,111	11,960
Trade and other payables		18,821	–	18,821	18,821
		30,932	–	30,932	30,781

The Group's contractual maturity for all its financial liabilities, based on the agreed repayment terms and the undiscounted cash flows on the earliest date the Group can be required to pay, is within one year.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair values of financial assets and financial liabilities

During the years ended 31 December 2024 and 2023, the Group purchased and redeemed the wealth management products with approximately nil (2023: nil) and nil (2023: RMB18,035,000) respectively.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements as at 31 December 2024 are not materially different from their fair values due to their short maturities.

7. REVENUE

Revenue comprises income from trading of hardware and computer software and provision of smart city solutions.

	2024 **RMB'000**	2023 RMB'000
Trading of hardware and computer software	**165,296**	85,863
Provision of smart city solutions	**19,747**	12,226
	185,043	98,089

Disaggregation of revenue by timing of recognition:

	2024 **RMB'000**	2023 RMB'000
Timing of revenue recognition		
At a point in time	**165,296**	85,863
Overtime	**19,747**	12,226
Total revenue from contracts with customers	**185,043**	98,089

7. REVENUE (Continued)

As at 31 December 2024, revenue of approximately RMB12,103,000 (2023: RMB9,066,000) and approximately RMB nil (2023: RMB15,715,000) is expected to be recognised in the future from the provision of smart city solutions and trading of hardware and computer software respectively. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12-18 months (2023: 12-18 months) as at year ended 31 December 2024.

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

	2024 **RMB'000**	2023 RMB'000
Government grants (note)	**425**	106
Foreign exchange losses, net	**(13)**	(23)
Bank interest income	**112**	396
Reversal of impairment loss of inventories	**62**	25
Impairment loss of trade and bills receivables	**(3,617)**	(11,461)
Impairment loss of loan receivable	**(1,594)**	(5,255)
Impairment loss of other receivables, net	**(105)**	(554)
Impairment loss of goodwill	**–**	(1,856)
Loan interest income	**–**	550
Loss on disposal of plant and equipment	**(11)**	(209)
Write off of trade and other payables	**229**	–
Impairment loss of contract assets	**(44)**	–
	(4,556)	(18,281)

Note: Government grants received during the years ended 31 December 2024 and 2023 related to rebate of value-added tax and government subsidies. There were no unfulfilled conditions or contingencies relating to those grants.

9. FINANCE COSTS

	2024 **RMB'000**	2023 RMB'000
Interests on:		
Bank borrowings	**680**	353

10. SEGMENT INFORMATION

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

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

1. Provision of smart city solutions
2. Trading of hardware and computer software
3. Provision of e-commerce operation solution services

(a) Segment revenue and results

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

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce operation solution services		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
For the year ended 31 December								
Segment revenue – external customers	**19,747**	12,226	**165,296**	85,863	**–**	–	**185,043**	98,089
Segment results	**(9,637)**	(30,749)	**8,824**	187	**–**	(236)	**(813)**	(30,798)
Unallocated other operating (expenses) income, gains or losses							**(1,274)**	(4,530)
Unallocated expenses							**(4,077)**	(6,764)
Loss before tax							**(6,164)**	(42,092)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

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

10. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce operation solution services		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
As at 31 December								
Segment assets	**15,651**	17,548	**72,592**	45,903	**–**	1	**88,243**	63,452
Unallocated assets							**21,901**	23,693
Total assets							**110,144**	87,145
Segment liabilities	**8,781**	8,534	**53,628**	23,899	**–**	471	**62,409**	32,904

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

- all assets are allocated to reportable segments other than certain plant and equipment, bank balances and cash, certain prepayments and other receivables, loan receivable and deferred tax assets which are unable to be allocated to reportable segments.
- all liabilities are allocated to reportable segments.

10. SEGMENT INFORMATION (Continued)

(c) Other segment information

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce operation solution services		Unallocated		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:										
Additions to plant and equipment	**8**	8	**2**	845	**–**	–	**–**	–	**10**	853
Depreciation of plant and equipment	**423**	223	**292**	390	**–**	–	**–**	323	**715**	936
Finance costs	**3**	3	**677**	350	**–**	–	**–**	–	**680**	353
Reversal of impairment loss on inventories	**–**	–	**(62)**	(25)	**–**	–	**–**	–	**(62)**	(25)
Amortisation of intangible assets	**–**	25	**–**	–	**–**	–	**–**	–	**–**	25
Impairment loss of trade and bills receivables	**3,269**	11,464	**348**	(3)	**–**	–	**–**	–	**3,617**	11,461
Impairment loss on other receivables, net	**–**	–	**–**	–	**–**	–	**105**	554	**105**	554
Loss on disposal of plant and equipment	**(2)**	–	**13**	209	**–**	–	**–**	–	**11**	209
Impairment loss of contract assets	**44**	–	**–**	–	**–**	–	**–**	–	**44**	–
Write off of trade and other payables	**(229)**	–	**–**	–	**–**	–	**–**	–	**(229)**	–
Impairment loss on goodwill	**–**	1,856	**–**	–	**–**	–	**–**	–	**–**	1,856
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:										
Impairment loss of loan receivable	**–**	–	**–**	–	**–**	–	**1,594**	5,255	**1,594**	5,255
Bank interest income	**–**	–	**–**	–	**–**	–	**(112)**	(396)	**(112)**	(396)

(d) Geographical information

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

(e) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2024	2023
	RMB'000	RMB'000
Customer A[1]	**94,402**	45,840

[1] Customer to the trading of hardware and computer software segment.

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

The details of emoluments of each of seven (2023: eight) directors, including the chief executive, Mr. Wang Feng (2023: Mr. Wang Feng), and three (2023: three) supervisors for the years ended 31 December 2024 and 2023 are set out below:

For the year ended 31 December 2024	Executive directors				Non-executive director	Independent non-executive directors			
	Mr. Wang Feng RMB'000	Mr. Guan Zilong RMB'000 (Note c)	Ms. Wu lihui RMB'000 (Note d)	Mr. Xu Jianfeng RMB'000	Mr. Chen Ping RMB'000	Mr. Cai Jiamei RMB'000	Ms. Huang Lianxi RMB'000	Ms. Huang Xuanzhen RMB'000 (Note b)	Sub-total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking									
Fees	-	-	-	-	-	50	50	50	150
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking									
Salaries and other benefits	112	-	129	118	20	-	-	-	379
Contributions to retirement benefits scheme	-	-	48	53	-	-	-	-	101
Discretionary bonus	-	-	-	33	-	-	-	-	33
	112	-	177	204	20	50	50	50	663

For the year ended 31 December 2024	Supervisors				
	Ms. Shen Xiaofen RMB'000	Mr. Song Zhiwei RMB'000	Ms. Shen Rujia RMB'000	Sub-total RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking					
Fees	-	-	-	-	150
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking					
Salaries and other benefits	-	-	147	147	526
Contributions to retirement benefits scheme	-	-	23	23	124
Discretionary bonus	-	-	6	6	39
	-	-	176	176	839

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2023	Executive directors			Non-executive director	Independent non-executive directors				
	Mr. Wang Feng RMB'000	Mr. Guan Zilong RMB'000 (Note c)	Mr. Xu Jianfeng RMB'000	Mr. Chen Ping RMB'000	Mr. Cai Jiamei RMB'000	Ms. Huang Lianxi RMB'000	Mr. Shen Haiying RMB'000 (Note a)	Ms. Huang Xuanzhen RMB'000 (Note b)	Sub-total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking									
Fees	–	–	–	–	50	50	25	25	150
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking									
Salaries and other benefits	123	115	86	120	–	–	–	–	444
Contributions to retirement benefits scheme	–	35	32	–	–	–	–	–	67
Discretionary bonus	126	127	77	–	–	–	–	–	330
	249	277	195	120	50	50	25	25	991

For the year ended 31 December 2023	Supervisors				
	Ms. Shen Xiaofen RMB'000	Mr. Song Zhiwei RMB'000	Ms. Shen Rujia RMB'000	Sub-total RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking					
Fees	–	–	–	–	150
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking					
Salaries and other benefits	–	–	133	133	577
Contributions to retirement benefits scheme	–	–	14	14	81
Discretionary bonus	–	–	11	11	341
	–	–	158	158	1,149

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

(a) Mr. Shen Haiying retired as independent non-executive director on 29 June 2023.

(b) Ms. Huang Xuanzhen was appointed as independent non-executive director on 29 June 2023.

(c) Mr. Guan Zilong resigned as executive director on 27 June 2024.

(d) Ms. Wu Lihui was appointed as executive director on 27 June 2024.

(e) None of the directors or supervisors waived or agreed to waive any emoluments paid by the Group for the years ended 31 December 2024 and 2023.

(f) No emoluments were paid or payable to any directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2024 and 2023.

(g) The discretionary bonus is recommended by the Remuneration Committee having regard to their performance and the Company's performance and profitability and the prevailing market conditions.

12. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals include nil (2023: one) director. The emoluments of the five (2023: four) individuals were as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries and other benefits	**1,644**	1,351
Contributions to retirement benefits scheme	**180**	88
	1,824	1,439

The emoluments of each of these individuals for both years were less than HK$1,000,000 (equivalent to approximately RMB926,000 (2023: RMB899,000).

No emoluments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2024 and 2023.

13. INCOME TAX EXPENSES

	2024 RMB'000	2023 RMB'000
Current tax expense		
PRC Enterprise Income Tax ("**EIT**")	**368**	6
Deferred tax (note 29)	**(26)**	675
	342	681

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises was 25% for the years ended 31 December 2024 and 2023. One of the subsidiaries was subject to EIT at a rate of 15% for the years ended 31 December 2024 and 2023 as it was classified as a High and New Technology Enterprise. One of the subsidiaries was subject to EIT at a rate of 5% for below RMB3 millions of profits for the year ended 31 December 2024 and 2023, as it was classified as a Small and Low Profit Enterprise.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2024 and 2023.

The income tax expenses for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	**(6,164)**	(42,092)
Tax at the domestic income tax rate of 25% (2023: 25%) (note)	**(1,542)**	(10,523)
Income tax on concessionary tax rate	**(350)**	2,948
Tax effect of expenses not deductible for tax purpose	**1,855**	2,448
Tax effect of income not taxable for tax purpose	**–**	(23)
Tax effect of super deduction on research and development expense	**(667)**	(1,949)
Tax effect of tax losses not recognised	**2,915**	5,650
Tax effect of deductible temporary differences not recognised	**(1,837)**	1,452
Reversal of deferred tax recognised in prior years	**(12)**	678
Utilisation of tax losses	**(20)**	–
Income tax expenses for the year	**342**	681

Note: The PRC EIT rate of 25% (2023: 25%) was used as it was the domestic tax rate where the results and operation of the Group is substantially derived during the year ended 31 December 2024 and 2023.

14. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	18,253	25,429
Contributions to retirement benefits scheme	2,463	2,911
Total staff costs (including directors', chief executive's and supervisors' emoluments)	20,716	28,340
Auditors' remuneration	467	620
Depreciation of plant and equipment	715	936
Amortisation of intangible assets	–	25
Impairment loss of goodwill	–	1,856
Expense relating to short-term leases	1,546	1,730
Cost of inventories recognised as expenses	151,683	79,695

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

16. LOSS PER SHARE

The calculations of the basic loss per share are based on loss for the year attributable to owners of the Company of approximately RMB 6,506,000 (2023: loss of RMB42,773,000) and approximately 506,546,000 (2023: 506,546,000) shares in issue during the year ended 31 December 2024.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2024 and 2023 as there were no potential ordinary shares existed during both years.

17. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipment RMB'000	Total RMB'000
COST				
At 1 January 2023	1,118	2,727	2,960	6,805
Additions	–	752	101	853
Disposal	–	(821)	(965)	(1,786)
At 31 December 2023 and 1 January 2024	**1,118**	**2,658**	**2,096**	**5,872**
Additions	**–**	**–**	**10**	**10**
Disposal	**–**	**(40)**	**(149)**	**(189)**
At 31 December 2024	**1,118**	**2,618**	**1,957**	**5,693**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2023	1,118	493	2,162	3,773
Provided for the year	–	536	400	936
Eliminated on disposal	–	(781)	(716)	(1,497)
At 31 December 2023 and 1 January 2024	**1,118**	**248**	**1,846**	**3,212**
Provided for the year	**–**	**568**	**147**	**715**
Eliminated on disposal	**–**	**(24)**	**(136)**	**(160)**
At 31 December 2024	**1,118**	**792**	**1,857**	**3,767**
CARRYING VALUES				
At 31 December 2024	**–**	**1,826**	**100**	**1,926**
At 31 December 2023	–	2,410	250	2,660

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

Leasehold improvements	Over the shorter of term of the lease or 3-6 years
Motor vehicles	5-8 years
Office furniture, fixtures and other equipment	3-5 years

18. INTANGIBLE ASSETS

	Self-developed software RMB'000
COST	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**1,500**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2023	1,475
Provided for the year	25
At 31 December 2023, 1 January 2024 and 31 December 2024	**1,500**
CARRYING VALUES	
At 31 December 2024	**–**
At 31 December 2023	–

The above intangible assets have finite useful lives. Such intangible assets are amortised on straight-line basis over their estimated useful lives as follows:

Self-developed software	3 to 10 years

19. GOODWILL

	RMB'000
COST	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**1,856**
ACCUMULATED IMPAIRMENT	
At 1 January 2023	–
Impairment for the year	(1,856)
At 31 December 2023 and 1 January 2024	(1,856)
Impairment for the year	–
At 31 December 2024	**(1,856)**
CARRYING AMOUNTS	
At 31 December 2024 and 2023	**–**

For the purposes of impairment testing, the carrying value of goodwill set out above has been allocated to one CGU, comprising a subsidiary in the provision of smart city solutions.

For the purpose of impairment assessment, plant and equipment that generate cash flows together with the related goodwill are also included in the CGU.

CGU comprising a subsidiary in the provision of smart city solutions

For the year ended 31 December 2023, the recoverable amount of the CGU has been determined based on value-in-use calculations with reference to valuations performed by the management. The calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-years period and a pre-tax discount rate of 17% per annum. Cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate.

The above growth rates are based on relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industries. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development. As at 31 December 2023, the recoverable amount of the CGUs was zero determined on the basis of value in use calculations. Thus the goodwill is fully impaired during the year ended 31 December 2023.

20. INVENTORIES

	2024 RMB'000	2023 RMB'000
Computer software and hardware	**6,146**	17,105

During the year ended 31 December 2024 and 2023, there were sales of finished goods previously written down. As a result, a reversal of provision for write-down of finished goods of approximately RMB62,000 (2023: RMB25,000) were recognised and included in other operating (expenses) income, net gains or losses.

21. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade and bills receivables at amortised cost	**88,614**	53,286
Less: allowance for impairment loss	**(10,270)**	(13,426)
	78,344	39,860

As at 31 December 2024, the gross amount of trade and bills receivable arising from contracts with customers amounted to approximately RMB88,614,000 (2023: RMB53,286,000). Bills receivables of approximately RMB18,828,000 was pledged for the bank borrowings of approximately RMB18,828,000 as at 31 December 2024 (Note 28).

There were no specific credit period granted to customers except for an average credit period of 30 – 90 days (2023: 30 – 90 days) to its trade customers under trading of hardware and computer software segment. Ageing analysis of the trade and bills receivables, net of allowance for impairment loss, as at the end of reporting period, presented based on the invoice date, which approximate to revenue recognition date, is as follows:

	2024 RMB'000	2023 RMB'000
0 to 90 days	**70,159**	28,007
91 to 180 days	**–**	348
Over 180 days	**8,185**	11,505
	78,344	39,860

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

The Group recognise lifetime ECL on trade and bills receivables based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

In respect of the trade and bills receivables, as the Group's historical credit loss experience and creditworthiness of the debtors does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. Generally, trade and bills receivables are written off if past due for more than 36 months and are not subject to enforcement activity. The Group does not hold collateral as security.

21. TRADE AND BILLS RECEIVABLES (Continued)

The Group recognised lifetime ECL for the remaining trade and bills receivables based on the ageing of customers as follows:

As at 31 December 2024	**Weighted average expected loss rate**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.98%**	**63,688**	**625**
Within 1 year past due	**4.25%**	**10,511**	**447**
1 to 2 years past due	**62.90%**	**1,256**	**790**
Over 2 years past due	**63.90%**	**13,159**	**8,408**
		88,614	**10,270**

As at 31 December 2023	Weighted average expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.45%	28,419	411
Within 1 year past due	55.28%	1,326	733
1 to 2 years past due	51.54%	20,718	10,678
Over 2 years past due	56.80%	2,824	1,604
		53,287	13,426

The movement in the loss allowance of trade and bills receivables is set out below:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**13,426**	5,053
ECL of trade and bills receivables recognised	**3,617**	11,461
Write-off	**(6,773)**	(3,088)
At the end of the year	**10,270**	13,426

22. PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments to suppliers	888	1,437
Deposits	2,605	2,637
Advances to employees	15	45
Other tax recoverable	1,517	1,202
Other receivables	1,043	932
	6,068	6,253
Less: Impairment losses	(799)	(694)
Prepayments and other receivables	5,269	5,559

Included in prepayments and other receivables is an amount of approximately RMB2,605,000 (2023: RMB2,637,000) representing deposit paid to customers for securing the Group's due performance of contracts.

Movement in the impairment losses on prepayments and other receivables:

	2024 RMB'000	2023 RMB'000
At the beginning of the financial year	694	140
Impairment loss recognised	105	554
Balance at the end of the year	799	694

During the year ended 31 December 2024, a lifetime ECL of approximately RMB725,000 (2023: RMB620,000) is made in respect of loan interest receivable with gross carrying amount of approximately RMB725,000 (2023: RMB725,000) due to default in payment of loan interest.

As at 31 December 2024, lifetime ECL of approximately RMB74,000 (2023: RMB74,000) has been made in respect of other receivables with gross carrying amount of approximately RMB74,000 (2023: RMB74,000) as they are determined to be credit impaired.

For remaining other receivables, it has low risk of default or has not been a significant increase in credit risk since initial recognition and no impairment loss is recognised.

23. CONTRACT ASSETS

Contract assets are initially recognised for certain amount of revenue earned from provision of smart city solutions as receipt of consideration is conditional on successful completion of retention period ranging from 1-3 years. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of retention period, the amounts recognised as contract assets are reclassified to trade receivables.

As at 31 December 2024, contract assets of approximately RMB1,009,000 (2023: RMB4,741,000) are expected to be recovered after one year from the end of reporting period.

The Group has applied the simplified approach permitted by IFRS 9 to measure the allowance for credit losses at lifetime ECL. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for contract assets.

During the year ended 31 December 2024, impairment loss of approximately RMB44,000 (2023: nil) has been recognised. Impairment assessment of contract assets is set out in note 6(b)(ii).

24. BANK BALANCES AND CASH

Bank balances carried interest rate at prevailing market rates for both years.

25. LOAN RECEIVABLE

	2024 **RMB'000**	2023 RMB'000
Fixed-rate loan receivable	**11,000**	11,000
Less: allowance for impairment loss	**(11,000)**	(9,406)
	–	1,594
Movement in the impairment losses on loan receivables:		
At the beginning of the financial year	**9,406**	4,151
Impairment loss recognised	**1,594**	5,255
Balance at the end of the year	**11,000**	9,406

As at 31 December 2024, a loan advanced to a former subsidiary, an independent third party, of RMB11,000,000, carried a fixed rate of 5% per annum for financing needs of the borrower. The loan was unsecured and repayable on 31 December 2025.

As at 31 December 2024, in determining the expected credit loss for this asset on an individual basis, the directors of the Company have taken into account the financial position of the counterparty, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of this financial asset occurring within its respective loss assessment time horizon, as well as the loss upon default.

As at 31 December 2024, the Group measures the loss allowance for the loan receivable at an amount equal to lifetime ECL and impairment loss of approximately RMB1,594,000 (2023: RMB5,255,000) due to default in repayment of loan interest was recognised.

26. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	25,962	15,537
Other tax payables	3,551	1,083
Accrued wages and salaries	1,429	2,049
Accrued expenses and other payables	2,288	1,235
	33,230	19,904

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

	2024 RMB'000	2023 RMB'000
Less than 1 year	21,304	11,709
Over 1 year but less than 2 years	2,337	2,792
Over 2 years but less than 3 years	1,391	543
More than 3 years	930	493
	25,962	15,537

There was no specific credit period for payment granted by suppliers.

27. CONTRACT LIABILITIES

The following table sets out the revenue recognised that was included in the contract liabilities balance at the beginning of the year.

	2024 RMB'000	2023 RMB'000
Trading of hardware and computer software	1,040	643

As at 31 December 2024, the balance represents advance payment from customers of approximately RMB328,000 (2023: RMB530,000) for bulk purchase in respect of the trading of hardware and computer software segment and approximately RMB23,000 (2023: RMB510,000) for the provision of smart city solutions segment.

28. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Secured (note (a))	**18,828**	1,960
Unsecured (note (b))	**10,000**	10,000
	28,828	11,960
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreements):		
Within one year	**28,828**	11,960
Amounts shown under current liabilities	**28,828**	11,960

Note:

(a) As at 31 December 2024, secured bank borrowings of RMB18,828,000 (2023: RMB1,960,000) was secured by bills receivables, carried fixed rate ranged from 1.38% to 3.90% for financing the Group's operations as at 31 December 2024.

(b) As at 31 December 2024, unsecured bank borrowings of RMB10,000,000 (2023: RMB10,000,000) guaranteed by Zhejiang Shenghua Holdings Group Company Limited, carried floating rate of Loan Prime Rate ("**LPR**") plus 0.1% per annum for financing the Group's operations as at 31 December 2024.

The exposure of the Group's bank borrowings to interest rate changes are as follows:

	2024 RMB'000	2023 RMB'000
Variable rate borrowings expiring within one year	**10,000**	10,000
Fixed rate borrowings expiring within one year	**18,828**	1,960

29. DEFERRED TAX ASSETS

The followings are the major deferred tax (liabilities) assets recognised and movements thereon during the current year:

	Impairment loss on inventory RMB'000	Impairment loss on trade and bills receivables and other receivables RMB'000	Fair value adjustments RMB'000	Total RMB'000
At 1 January 2023	61	877	(4)	934
(Charged) credited to profit or loss (note 13)	(1)	(678)	4	(675)
At 31 December 2023 and 1 January 2024	**60**	**199**	**–**	**259**
Credited to profit or loss (note 13)	**–**	**26**	**–**	**26**
At 31 December 2024	**60**	**225**	**–**	**285**

29. DEFERRED TAX ASSETS (Continued)

At 31 December 2024, the Group had unused tax losses amounted to approximately RMB81,830,000 (2023: RMB63,588,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these remaining unused tax losses due to the unpredictability of future profit streams. The entire tax losses can be carried forward for five years from the respective years in which the loss arose.

At 31 December 2024, certain deductible temporary differences of approximately RMB11,725,000 (2023: RMB10,026,000) have not been recognised as deferred tax assets due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately RMB1,283,000 (2023: RMB1,283,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. PAID-IN CAPITAL

	Number of shares		Amount	
	2024	2023	**2024**	2023
	'000	'000	**RMB'000**	RMB'000
Registered, issued and fully paid:				
Domestic shares with par value of RMB0.1 each				
At 1 January and 31 December	**244,421**	244,421	**24,442**	24,442
Overseas public shares ("**H shares**") with par value of RMB0.1 each				
At 1 January and 31 December	**262,125**	262,125	**26,213**	26,213
Total	**506,546**	506,546	**50,655**	50,655

31. RESERVES

Statutory surplus reserve

In accordance with the Company Law in the PRC and the Articles of Association of the Company and its subsidiaries, the Company and its subsidiaries are required to appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve.

When the balance of the statutory surplus reserve reaches 50% of the paid-in capital/share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses, if any, or to increase capital after properly approved. However, except for offset prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25% of paid-in capital/share capital after such usage.

The transfer to statutory reserve is based on the net profit under the financial statements prepared in accordance with the PRC accounting standards.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2024 RMB'000	**Net Financing cash flows RMB'000**	**Finance costs incurred RMB'000**	**31 December 2024 RMB'000**
Bank borrowings	**11,960**	**16,868**	**–**	**28,828**
Interest payable	**–**	**(680)**	**680**	**–**
	11,960	**16,188**	**680**	**28,828**

	1 January 2023 RMB'000	Net Financing cash flows RMB'000	Finance costs incurred RMB'000	31 December 2023 RMB'000
Bank borrowings	10,000	1,960	–	11,960
Interest payable	–	(353)	353	–
	10,000	1,607	353	11,960

33. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into transaction with a related party as follows:

Related party	Nature of transaction	2024 RMB'000	2023 RMB'000
浙江升華控股集團有限公司	Sale of goods	508	–
山東雲峰莫干山家居有限公司	Sale of goods	–	93
浙江雲峰莫干山營銷有限公司	Sale of goods	–	50
德清下渚湖度假村有限公司	Sale of goods	615	–
浙江德清升華臨杭物流有限公司	Sale of goods	29	13
浙江德清升華臨杭物流有限公司	Provision of smart city solutions	725	–

Notes:

i) The above related company is held by the same beneficial shareholder.

ii) The sale of goods was made at normal business term.

(b) Compensation of key management personnel

The remuneration of directors, chief executive, supervisors and other members of key management during the year were as follows:

	2024 RMB'000	2023 RMB'000
Short-term benefits	1,586	2,216
Post-employment benefits	99	223
	1,685	2,439

The remuneration of directors, supervisors and key management was determined by the remuneration committee having regard to the performance of individual and market trends.

34. RETIREMENT BENEFITS SCHEME

The employees of the Group are required to participate in a central pension scheme operated by the PRC local municipal governments. The companies in the Group are required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB2,463,000 (2023: RMB2,911,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Plant and equipment		**8**	10
Investments in subsidiaries	(a)	**36,711**	45,902
Loan receivables		**–**	1,594
		36,719	47,506
Current assets			
Inventories		**9**	12
Trade receivables		**–**	–
Prepayments and other receivables		**56**	195
Amounts due from subsidiaries	(b)	**4,278**	1,896
Bank balances and cash		**2,321**	278
		6,664	2,381
Current liabilities			
Trade and other payables		**653**	951
Amounts due to subsidiaries	(b)	**277**	277
		930	1,228
Net current assets		**5,734**	1,153
		42,453	48,659
Capital and reserves			
Paid-in capital		**50,655**	50,655
Reserves	(c)	**(8,202)**	(1,996)
Total equity		**42,453**	48,659

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Investments in subsidiaries

	2024 RMB'000	2023 RMB'000
Unlisted investments, at cost	**55,907**	55,907
Accumulated impairment losses	**(19,196)**	(10,005)
	36,711	45,902

(b) The amounts due from/to subsidiaries are unsecured, repayable on demand and interest income expense charged according to the terms of the agreements entered into between the parties.

(c) Reserves

	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	101,336	7,934	(90,088)	19,182
Loss and total comprehensive expense for the year	–	–	(21,178)	(21,178)
At 31 December 2023 and 1 January 2024	**101,336**	**7,934**	**(111,266)**	**(1,996)**
Loss and total comprehensive expense for the year	**–**	**–**	**(6,206)**	**(6,206)**
At 31 December 2024	**101,336**	**7,934**	**(117,472)**	**(8,202)**

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Name	Form of business	Place of establishment/ operations	Issued share capital/ Paid up issued registered share capital	Proportion of ownership interest held by Company (2024)		Proportion of ownership interest held by Company (2023)		Principal activities
				Directly	Indirectly	Directly	Indirectly	
杭州華光計算機工程有限公司#	Private Limited	The PRC	Registered capital of RMB10,000,000	100%	-	100%	–	Trading of hardware and computer software
升華科訊有限公司	Private Limited	Hong Kong	Registered capital of HKD800,000	100%	-	100%	–	Provision of e-commerce operation solution services
浙江創建科技有限公司*	Private Limited	The PRC	Registered capital of RMB60,000,000	100%	-	100%	–	Provision of smart city solution
杭州創建智工科技有限公司*	Private Limited	The PRC	Registered capital of RMB5,000,000	-	100%	–	100%	Provision of smart city solution

All subsidiaries are limited liability companies.

The above table lists the major subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during both years.

At the end of the reporting period, the Company has no other subsidiaries that are not material to the Group.

The subsidiary is wholly foreign owned enterprise established in the PRC.

* The subsidiary is wholly owned enterprise established in the PRC.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS
(Continuing and discontinued operations)

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
Continuing operations					
Revenue	**185,043**	98,089	135,024	206,049	237,630
Cost of sales	**(164,209)**	(86,574)	(119,277)	(165,522)	(197,157)
Gross profit	**20,834**	11,515	15,747	40,527	40,473
Other operating (expenses) income, net gains or losses	**(4,556)**	(18,281)	(1,443)	1,477	1,154
Distribution and selling expenses	**(6,216)**	(7,320)	(6,018)	(5,749)	(6,786)
General and administrative expenses	**(11,100)**	(14,466)	(17,329)	(19,520)	(19,066)
Research and development expenditure	**(4,446)**	(13,187)	(9,833)	(8,647)	(9,922)
Share of result of an associate	**–**	–	–	92	125
Gain on disposal of investment in an associate	**–**	–	–	367	–
Finance costs	**(680)**	(353)	(301)	(73)	(300)
(Loss) profit before tax	**(6,164)**	(42,092)	(19,177)	8,474	5,678
Income tax (expenses) credit	**(342)**	(681)	172	(926)	241
(Loss) profit and total comprehensive (expense) income for the year from continuing operations	**(6,506)**	(42,773)	(19,005)	7,548	5,919
Discontinued operation					
Loss for the year from discontinued operation	**–**	–	(16,581)	(21,123)	(1,050)
(Loss) profit and total comprehensive (expense) income for the year	**(6,506)**	(42,773)	(35,586)	(13,575)	4,869
Attributable to:					
– owners of the Company	**(6,506)**	(42,773)	(16,168)	665	5,025
– non-controlling interests	**-**	-	(19,418)	(14,240)	(156)
	(6,506)	(42,773)	(35,586)	(13,575)	4,869
(Loss) earnings per share – Basic and diluted (RMB cents)	**(1.28)**	(8.44)	(3.19)	0.13	0.99

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**110,144**	87,145	124,318	175,470	142,677
Total liabilities	**(62,409)**	(32,904)	(27,304)	(69,994)	(30,160)
Non-controlling interests	**–**	–	–	7,706	–
Shareholders' equity	**47,735**	54,241	97,014	113,182	112,517