ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370

2022/23 ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, for which the Directors (the "**Directors**") of Zhi Sheng Group Holdings 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**") of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together the "**Group**"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.*

CONTENTS

CORPORATE INFORMATION

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The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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EXECUTIVE DIRECTORS

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Mr. Liang Xing Jun
Mr. Ma Gary Ming Fai *(Compliance Officer)*
Mr. Lai Ningning

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit
Ms. Cao Shao Mu
Mr. Li Saint Chi Sainti

COMPLIANCE OFFICER

Mr. Ma Gary Ming Fai

COMPANY SECRETARY

Ms. Leung Yuk Yi (resigned on 31 May 2023)
Ms. Yuen Lai Sheung (appointed on 31 May 2023)

AUDIT COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Li Saint Chi Sainti

REMUNERATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Li Saint Chi Sainti

NOMINATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
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AUTHORISED REPRESENTATIVES

Mr. Yi Cong
Ms. Yuen Lai Sheung

PRINCIPAL BANKERS

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China Minsheng Bank
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY'S WEBSITE ADDRESS

www.qtbgjj.com

STOCK CODE

8370

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "**Board**"), I am pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2023 (the "**Reporting Period**").

As a result of the ongoing Russia-Ukraine war, the US Federal Reserve's continuing interest rate hikes and the tensions between the United States and China resulting in restrictions and trade barriers between them, China's economic recovery is shrouded in greater uncertainties in the midst of a seemingly inevitable global economic downturn during the Reporting Period. Despite China's relaxation of the COVID-19 lockdown and control policies by the end of 2022, consumer confidence and economic recovery are weaker than expected. Albeit various policies introduced by the government to support the real estate sector, the real estate market remained sluggish, with a number of reports on leading real estate companies entangled in operational difficulties due to the capital chain rupture. According to the information available at National Bureau of Statistics of China, national real estate development investments reported a year-on-year decrease of 8.5%, while saleable area for commodity properties reported a year-on-year decline of 6.5% from January to July this year. It is expected that the restoration of the real estate market continues to take more time. In line with the cooling real estate market, reduced development projects for new commercial buildings led to a decline in demand for new furniture purchases. Moreover, growing economic uncertainties may prompt many businesses to suspend or decelerate their expansion plans, further reducing the demand for furniture. In previous years, our sales were heavily dependent on clients from financial institutions, which have increasingly shifted the majority of their operations online, leading to a decline in their physical branches. Consequently, the demand for furniture has weakened significantly, resulting in substantial pressure on our business prospect. Confronted by the complex domestic and international conditions, we continued to focus on the southwestern region, particularly Sichuan Province, by continuing to consolidate the market share during the year. Furthermore, we achieved positive results of broadening the revenue stream and exercising strict control over various costs, expenses, and spending, while actively collecting significant overdue account receivables.

In respect of the online data centre business, the Group primarily enters into leasing agreements with data centre operators in connection with the lease of a portion of their machine enclosures. We subsequently sublease these machine enclosures to third-party corporate clients by entering into the sublease agreements, while providing internet access services to clients in need. As leading suppliers in the data centre industry, the data centre operators providing machine enclosure leasing services to the Group have reputation for excellent infrastructure and compliance standards with a strong brand effect, and are highly favoured by customers. In collaboration with these data centre operators, we enjoy a significant branding advantage when competing for orders from customers. Therefore, we place great emphasis on maintaining good communication and establishing strategic partnerships with them. In recent years, the increasing influx of data centre market participants has intensified internal competition among data centres, which leads to a decline in the unit price of machine enclosures, and which in return has resulted in the profit margin squeeze. In light of these, following multiple rounds of communications and negotiations with our data centre partners, we renewed expiring data centre lease contracts at lowered supply prices to secure greater concessions and cost advantages. In addition, the three-year COVID-19 pandemic has brought changes to the data centre ecosystem. While downstream customers in the data centre industry experience a slow recovery after weathering through the pandemic impacts, the market projects positive momentum in its performance. When proactively seizing opportunities, we aggressively expand our customer base through our phased promotional activities, and strive for more potential clients and market opportunities, thereby yielding certain results.

In mid-2021, a subsidiary of the Company, 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("**WNT**"), entered into the Buildout Management Agreement with Gu'an Fu'ai Electronics Co. Ltd. ("**Gu'an Fu'ai**"), allowing the Group to further develop its data centre business networks in the PRC with new income sources and more business opportunities. During the Reporting Period and the Previous Reporting Period, the Group recognised revenue from the buildout management projects in line with their progress and their positive profit contribution to the Group. In addition, the loan agreement entered into between the Company (as lender) and Mega Data Investment Limited ("**SPV**") also provided stable interest income for the Company.

However, it is unfortunate that two unforeseen events occurred during the Reporting Period, inevitably causing adverse effects on the Company's operations.

Firstly, the Group assisted Mr. Luo Jinyao (東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd.*) ("**Yaobang Group**") is controlled by Mr. Luo Jinyao, as a borrower (the "**Borrower**")) or his subsidiaries in obtaining the financing in connection with the pledge of properties such as land and buildings by our subsidiary Sichuan Greenland Furniture Co., Limited* (四川青田家俱實業有限公司) ("**Sichuan Greenland**"). However, due to the borrower's failure to make repayment on time, Sichuan Greenland has received a written notice from the state-owned financial institution(s) in the PRC (the "**Bank(s)**") demanding Sichuan Greenland to observe and fulfil its obligations under the pledge of a parcel of land and buildings located at Chengdu City provided by the Company. In response to the above matter, an impairment loss on assets of approximately RMB49.8 million has been provided in the current year. Therefore, the Group has been continuously in ongoing discussions with relevant parties such as the Borrower and the Bank on the possible solutions for the aforesaid matter to protect the interests of the Group. The Group is also seeking legal advice on the actions it may take in relation to repayment of the aforementioned loan and/or the said letter and notice and will take proactive actions to safeguard the Group's assets, interest and position. We have initiated legal proceedings in court regarding the aforementioned matter and have sought pre-litigation preservation of assets belonging to the Borrower and its subsidiaries, which were accepted by the court on 28 August 2023. Meanwhile, we will consider various possibilities and take effective measures to deploy the Group's resources to ensure the continued operation of our furniture manufacturing and sales business.

* For identification purpose only

Secondly, the Company purchased three wealth management products issued by Zhongzhi Enterprise Group Co., Ltd.* (中植企業集團有限公司) or its subsidiaries ("**Zhongzhi Enterprise Group**") with an aggregate principal amount of RMB10 million which remaining outstanding as at the date of this report. Among which, one of the wealth management products with a principal amount of RMB4 million was overdue in August 2023 without being redeemed pursuant to the terms of the subscription agreement. Due to the higher risk of redemption associated with these three wealth management products, the Group has provided an investment loss of approximately RMB9.5 million based on the estimated fair value assessment. The Company will take legal measures, including litigation, arbitration, property preservation and negotiation, etc., to do its best to pursue liability for breach of contract from the issuer of the overdue product, to recover investment losses as much as possible, and to protect the interests of Shareholders.

For details of the two unforeseen events as mentioned above, please refer to the relevant announcements of the Company dated 2 June 2023 and 11 August 2023, respectively.

Looking ahead, with the external environment continuing to pose challenges, it is expected that the real estate market and furniture industries will require a longer period for recovery. However, as the foundation for economic recovery continues to solidify and measures to stabilise economic conditions are implemented, the prospects for a revitalised consumer market continues to improve. The Group has sufficient confidence in the future of a recovered furniture market, as it has also perceived a growing customer confidence. Furniture products of the Group have received quality certifications and environmental certifications, as well as certifications for green supply chain management systems and the completeness of our after-sales service system, from multiple authoritative organizations. In addition, we have been awarded honours and titles, including the recommended enterprise for local excellent furniture products in Sichuan Province. As an enterprise that upholds contracts and appreciates integrity in Chengdu, Sichuan Greenland has gained increasing recognition among customers of our brand value in the furniture sector. We will focus our resources, actively seize opportunities, and strive to expand marketing channels, aiming to further recover and consolidate the southwestern market. In times of favourable conditions, we will expand into markets beyond the southwestern region in due course. We believe that in line with a gradual recovery in the demand for furniture, the Company's business performance will continue to grow steadily.

In terms of data centre business and buildout management service business, following the emergence of cloud computing, big data, and others, in combination with new infrastructure strategies, data centres, as the foundation of underlying infrastructure, have gained extraordinary traction in recent years. Established data centre providers and companies from other industries aspiring to make a foray into the data centre industry are competing fiercely against each other, further intensifying the industrial competition. On one hand, we will actively pursue our customer expansion and strive to elevate the scale of our existing business to the next level as quickly as possible. On the other hand, we strive to gain a competitive advantage in the supply price of machine enclosure leasing by strengthening cooperation with existing data centre operators, while seeking to establish a diversified supplier mechanism. As for the long-term development, it is imperative to build our own data centre and develop an intelligent computing centre.

* For identification purpose only

CHIEF EXECUTIVE OFFICER'S STATEMENT

We have been actively identifying opportunities of expanding the business scope of our Group in order to constantly enhance the profitability of our data centre services. By providing the buildout management services, WNT, has drawn the relevant experience and expertise from buildout construction works, which will become part of its track record and bring in more business opportunities. By taking advantage of these opportunities, WNT will be able to establish business networks with professional investors, contractors, and suppliers to further develop its data centre business.

We believe that the abovementioned measures will effectively enhance the profitability of the Group in the future, which will have a positive impact on the Group's profitability and asset operations in the coming years, and in return benefit our shareholders.

ACKNOWLEDGEMENTS

We foresee that the furniture business in the PRC will face intensified market competition in the future, which will weigh on the profit margins. In the face of the challenging operating environment, the Group will spare no effort to remain competitive by taking measures to reduce operating costs. The Group expects to regain its advantages in the business sector once the economy recovers. In addition, we will continue to identify and explore more development opportunities. We strongly believe that entering the data centre business will allow the Group to maximise its corporate value and will be beneficial to the shareholders.

On behalf of the Board, I would like to express my heartfelt gratitude to the Group's valuable customers, business partners and shareholders for their continued support and trust. I would also like to take this opportunity to thank our fellow colleagues of the Board, the senior management team and all our staff for their unremitting efforts, team spirit and contributions to the Group.

Yours faithfully
Yi Cong
Chief Executive Officer

Hong Kong, 22 September 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of furniture products and sells its products to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province; the Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited* (四川青田家俱實業有限公司) ("**Sichuan Greenland**"), in Chengdu City and a branch office, Chongqing Branch Office ("**Chongqing Branch Office**") of Sichuan Greenland, in Chongqing City.

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC from 2020. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties. In June 2021, a subsidiary of the Company, 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("**WNT**"), entered into a management agreement with Gu'an Fu'ai Electronics Co. Ltd. ("**Gu'an Fu'ai**") to carry out buildout management service business.

Pursuant to the resolution of the Board approved on 17 November 2021, the financial year end date of the Company has been changed from 31 December to 30 June. Therefore, the annual report (including the audited consolidated financial statements of the Group) of the Reporting Period covers the period from 1 July 2022 to 30 June 2023, while the annual report of the previous reporting period covered the eighteen months from 1 January 2021 to 30 June 2022.

Manufacture and sale of furniture products business

During the Reporting Period, the Group achieved a revenue from manufacture and sale of furniture products segment of approximately RMB48.3 million, representing a decrease of approximately RMB28.5 million or approximately 37.1% as compared to the Previous Reporting Period, and a decrease of approximately 5.7% as compared to the Previous Reporting Period in terms of average 12-month sales revenue for the Previous Reporting Period.

In light of the extremely weak demand in the furniture industry as a whole due to the increasingly intensified market competition, customers are more inclined to exercise caution to purchase or replace furniture. The nationwide spread of the COVID-19 pandemic led to increasingly stringent lockdown and control measures across the country, which persisted for almost the first six months of this Reporting Period. Bidding activities across various regions decreased significantly as compared to the Previous Reporting Period, with the impact on the furniture industry worse than our previous expectations. During the months from July to September in this Reporting Period, there were frequent power cut imposed by local governments. In August, the Sichuan provincial government implemented a policy of "prioritizing electricity supply to the public", resulting in a one-month power cut for the Company and hindering normal production and operations. Despite the relaxation of COVID-19 lockdown and control policies in China by the end of 2022, the consumer confidence and economic recovery are weaker than anticipated, while the real estate and furniture markets remain very sluggish. As a result, their respective recovery is expected to take a longer time. In light of these circumstances, the Group has decided to concentrate resources on consolidating its market in the southwestern region, including Sichuan province. We actively seek to straighten out the supply chain relationships with customers and suppliers to ensure timely delivery of customer orders in Sichuan province. Following the relaxation of the COVID-19 lockdown and control policies and gradual economic recovery, the Group is also actively exploring markets in other southwestern regions, with certain results achieved in Guizhou, Tibet, Yunnan, and other regions. However, the market in Chongqing has remained sluggish due to the intensified competition. Meanwhile, the Company exercises strict control over various costs, expenses, and spending, actively pursues the collection of significant overdue accounts receivable, and strives to mitigate the impact of various unfavourable factors, thereby yielding certain results.

In addition, during the Reporting Period, the Company provided an impairment loss on assets of approximately RMB49.8 million in relation to the pledge of properties such as land and buildings by Sichuan Greenland, to assist Mr. Luo Jinyao (Yaobang Group is controlled by Mr. Luo Jinyao, as a borrower) or its subsidiary to obtain the financing. We also purchased three wealth management products issued by Zhongzhi Enterprise Group Co., Ltd.* (中植企業集團有限公司) or its subsidiaries ("**Zhongzhi Enterprise Group**") with an aggregate principal amount of RMB10 million, and the estimated fair value assessment would require a provision of approximately RMB9.5 million for losses due to the higher risk of redemption. These two provisions for losses have had a significant adverse impact on the operational results and financial conditions of the furniture manufacturing and sales business.

Data centre business

During the Reporting Period, the Group achieved a revenue from the existing business of the data centre segment of approximately RMB23.6 million, representing a decrease of approximately RMB11.3 million or approximately 32.4% as compared to the Previous Reporting Period, and an increase of approximately 1.4% as compared to the Previous Reporting Period in terms of average 12-month revenue for the Previous Reporting Period. Although the current revenue from the data centre segment is mainly the rental income from server rack rentals, as part of our business features, the customer attrition rate is comparatively low when a customer enters into a contract, excluding unforeseeable events and other uncontrollable events. This provides relatively stable income. However, due to the increasingly intensified market competition and the pessimistic sentiment caused by the prolonged three-year COVID-19 pandemic, a portion of our customers elected not to renew their leases upon expiration. In this regard, the Company provides premium after-sales services, swiftly and efficiently addressing customer concerns and difficulties to increase customer loyalty. We make every effort to retain existing customers, and strive to uncover their potential and assist them in expansion and growth. Meanwhile, we actively explore new customer acquisition channels, which has yielded certain results. On the other hand, we sought to negotiate a lower rental price with the suppliers, ensuring the Company's competitiveness. During the Reporting Period, the overall revenue generated from new customers of the Group exceeded the revenue lost from existing customers.

Buildout management service business

WNT, entered into the Buildout Management Agreement with Gu'an Fu'ai in June 2021 to provide engineering and management services as construction manager for buildout construction works. This business segment recognises the profit of the relevant business according to the progress of the buildout management project. During the Reporting Period, the Group recognised a revenue from the buildout management service of approximately RMB38.9 million, representing a decrease of approximately RMB21.9 million or approximately 35.9% as compared to the Previous Reporting Period. Due to completion of the buildout management projects in this phase and the majority of the projects were completed in the previous year, the revenue recognised for the Reporting Period significantly decreased as compared to the Previous Reporting Period.

During the Reporting Period, the Group recorded a revenue of approximately RMB110.8 million, representing a decrease of approximately RMB61.7 million or approximately 35.8% as compared to the Previous Reporting Period. During the Reporting Period, the Group recorded a loss of approximately RMB79.2 million, as compared with the loss of approximately RMB73.7 million recorded by the Group for the Previous Reporting Period. For details on the increase of loss and analysis of revenue, cost, fees and other indicators for the Reporting Period, please refer to the section headed "Financial Review" under "Management Discussion and Analysis" of this report.

PROSPECTS

Looking ahead, we will cautiously maintain an optimistic view of the market prospect in the future, despite the ongoing correction in the real estate market and the requirement for a longer recovery period in the furniture market. Firstly, we will focus our resources, actively seize opportunities, and strive to expand marketing channels, aiming to further recover and consolidate the southwestern market. In times of favourable conditions, we will expand into markets beyond the southwestern region in due course. At the same time, the Company will seek to strike a balance between the market share and reasonable profit margins in the southwestern region. We will continue to increase research and development to improve furniture product designs, while creating differentiated values for customers so as to attract new customers and retain existing ones. Our sales team will actively broaden the Company's customer base by striving to acquire more customers in the hospitality and higher institution sectors through various avenues, while organising product briefings in our showrooms to attract direct orders from retail customers. In addition, to expand the Company's brand influence in key market development areas, we will consider investing in billboard and vehicle advertising, and will actively explore the possibility of online sales to attract non-tender customers. In addition to strengthening the management and control of the supply chain, the Group will optimise production processes internally, and tap into the potential for energy conservation and cost reduction. By constantly enhancing service capabilities and operational efficiency with various costs reduced, we strive to improve the current operating performance of the furniture division. Therefore, we believe that in line with a gradual recovery in the demand for furniture, the Company's business performance will continue to grow steadily.

In terms of data centre business and buildout management services business, the Group will aggressively pursue our customer expansion by redoubling its publicity, promotion, and marketing efforts, and strive to elevate the scale of its existing operations to the next level as quickly as possible. Firstly, we will continue to strengthen the favourable cooperation established with our existing data centre operators, acting in concert with them to advance the business development. For the time being, we will strive to secure long-term cooperation agreements with these data centre operators, ensuring a stable supply of machine enclosure rooms and competitive pricing to prevent operational disruptions and maintain a stable profit forecast. Secondly, the Group will actively identify and evaluate other data centre operators, and establish a diversified supplier mechanism with at least three alternative options to enhance our negotiation and bargaining powers. Meanwhile, the Company will facilitate necessary conditions to provide diversified services that meet the different needs of customers, including network connectivity, data backup, disaster recovery, restoration, virtual hosting, cloud computing, and other services. By expanding the scope of our services, we will diversify the revenue streams.

Lastly, the Company will actively capitalise on strategic opportunities arising from the government's quest for the data centre development. While enhancing technological research and development, the Company will proactively pursue opportunities to boost its revenue by leveraging our experiences in the buildout management services. We will strive to establish our own data centre with proprietary rights at the earliest opportunity, reducing reliance on external suppliers and gradually enhancing the Company's competitive strengths.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB110.8 million, representing a decrease of approximately RMB61.7 million or approximately 35.8% as compared to the Previous Reporting Period. It was mainly attributable to a decrease in the recognised revenue from buildout management service of approximately RMB21.9 million for the Reporting Period as compared to the Previous Reporting Period. In addition, the Reporting Period covered 12 months, which was six months shorter than the Previous Reporting Period. Excluding such revenue generated from the buildout management service and calculating in terms of average monthly revenue of both reporting periods, the revenue of the existing business of the Reporting Period decreased by approximately 3.5% as compared to the Previous Reporting Period. Of which:

Manufacture and sale of furniture products segment: during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB48.3 million, representing a decrease of approximately RMB28.5 million or approximately 37.1% as compared to the Previous Reporting Period, and a decrease of approximately 5.7% as compared to the Previous Reporting Period in terms of average 12-month sales revenue for the Previous Reporting Period, which was mainly attributable to the facts that:

(i) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing decreased by approximately RMB27.5 million or approximately 36.8% as compared to the Previous Reporting Period. During the Reporting Period, sales revenue from Sichuan Province decreased by approximately RMB17.7 million or approximately 30.6%, and increased by approximately 4.0% as compared to the Previous Reporting Period in terms of average 12-month sales revenue for the Previous Reporting Period, indicating a slow recovery in sales. The sales revenue from Chongqing City decreased by approximately RMB12.0 million or approximately 83.2%, and decreased by approximately 74.8% as compared to the Previous Reporting Period in terms of average 12-month sales revenue for the Previous Reporting Period. A decrease in revenue of Chongqing Province primarily contributed to a decrease in revenue derived from five southwestern provinces, as sales to three major clients ranging from RMB1.7 million to RMB2.5 million were reported in the Previous Reporting Period, as compared to no similar major clients in the Reporting Period. In addition, sales to a client from financial institutions amounted to approximately RMB3.3 million in the Previous Reporting Period, whereas sales to the same client were only approximately RMB0.1 million in the Reporting Period. Following the relaxation of pandemic lockdown and control policies and gradual economic recovery in China, the Group also actively explored markets in other southwestern provinces, which has yielded certain results. It was represented by: the revenue of Guizhou Province increased by approximately RMB1.5 million or approximately 71.9% as compared to the Previous Reporting Period; the revenue of Tibet Autonomous Region increased by approximately RMB0.5 million or approximately 116.1% as compared to the Previous Reporting Period; and the revenue of Yunnan Province increased by approximately RMB0.2 million or approximately 200.9% as compared to the Previous Reporting Period. In case of calculation of the average 12-month sales revenue for the Previous Reporting Period, Guizhou Province, the Tibet Autonomous Region, and Yunnan Province increased by approximately 157.8%, 224.2%, and 351.3% respectively.

(ii) During the Reporting Period, the revenue of other provinces and regions apart from the five southwest provinces and regions was approximately RMB1.3 million, representing a decrease of approximately RMB1.0 million or approximately 43.16% as compared with the Previous Reporting Period. During the Reporting Period, sales were mainly contributed by Zhejiang Province. The sales data are relatively small in both years mainly due to the influence of pandemic lockdown and control and the relevant operational strategies focusing on the expansion of the five southwest provinces of the Company.

Data centre segment: during the Reporting Period, the data centre segment achieved a revenue of approximately RMB23.6 million, representing a decrease of approximately RMB11.3 million or approximately 32.4% as compared to the Previous Reporting Period, or an increase of approximately 1.4% as compared to the Previous Reporting Period in terms of the average 12-month revenue for the Previous Reporting Period. Due to the impact of novel coronavirus epidemic, some customers' leases were not renewed upon expiry. The Company has stepped up promotional efforts to expand new customers and strive to maintain long-term customers by provision of good after-sales services, and has achieved certain results, the total revenue of new customers is more than the revenue lost from the existing customers, all of which were the main reasons for the year-on-year increase in revenue of the data centre segment.

Buildout management service segment: during the Reporting Period, the Group recognised the revenue generated from the buildout management services of approximately RMB38.9 million, representing a decrease of approximately RMB21.9 million or approximately 35.9% as compared to the Previous Reporting Period. Such decrease was mainly attributable to a decrease in the number of completed buildout projects recognised during the year as compared to the Previous Reporting Period. Such decrease in the revenue of this segment was the main reason for the decrease in the Group's revenue.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; (iv) production or operation overheads such as depreciation, amortisation of intangible assets, utilities bills, maintenance fee and rent; and (v) cost of the buildout management services. The Group's cost of sales for the Reporting Period was approximately RMB100.0 million, representing a decrease of approximately RMB62.8 million or 38.6% as compared to the Previous Reporting Period. Of which:

Manufacture and sale of furniture products segment: cost of sales for the Reporting Period was approximately RMB43.5 million, representing an increase of approximately RMB27.5 million or approximately 38.7% as compared to the Previous Reporting Period. Given that the Reporting Period was six months shorter than the Previous Reporting Period, the cost of sales decreased along with the decrease in sales. The decrease in cost of sales exceeded the decrease in the revenue from furniture, resulting in an improvement in gross profit margin. Based on the composition analysis of cost of sales: (i) the cost of raw materials used and products purchased decreased by approximately RMB24.2 million or approximately 40.0% (during the Reporting Period, the provision for loss of inventories decreased by approximately RMB2.9 million as compared to the Previous Reporting Period, which accelerated the decline in material costs); (ii) wages of production staff decreased by approximately RMB1.9 million, representing a decrease of approximately 30.3%; and (iii) other production expenses decreased by approximately RMB1.4 million, representing a decrease of approximately 31.6%. The increase in the proportion of sales of self-made products during the Reporting Period has resulted in a lower decrease in labour cost and other production expenses than the cost of raw materials used and products purchased.

Data centre segment: cost of sales for the Reporting Period was approximately RMB21.1 million, representing a decrease of approximately RMB15.5 million or approximately 42.3% as compared to the Previous Reporting Period. Since the Reporting Period was six months shorter than the Previous Reporting Period, the costs of sales decreased in line with the decrease in sales. Meanwhile, the amortisation of the intangible assets arising from the acquisition of the data centre of approximately RMB8.3 million was recorded as cost of sales in the Previous Reporting Period, as there were no associated cost expenses in the Reporting Period due to the intangible assets was fully amortised in the Previous Reporting Period. Excluding the impact of the amortisation of the intangible asset, sales costs for the Reporting Period decreased by approximately 25.6%, which was lesser than the sales cost decreased by approximately 32.4% in the Previous Reporting Period. This was attributable to an increasingly intensified competition that resulted in gross margin squeeze and an increase in certain operating costs.

Buildout management service segment: the Group recognised the cost of the buildout management services of approximately RMB35.3 million during the Reporting Period, representing a decrease of approximately RMB19.8 million or approximately 36.0% as compared to the Previous Reporting Period, mainly due to a decrease in the revenue from the buildout projects due to the decrease in number of completed projects for the current year compared to the Previous Reporting Period, leading to a corresponding decrease in sales costs. The decrease in the costs of such segment was the main reason for the overall cost reduction of the Group.

Gross profit

Gross profit increased to approximately RMB10.8 million for the Reporting Period from approximately RMB9.7 million for the Previous Reporting Period. Of which:

Manufacture and sale of furniture products segment: gross profit for the Reporting Period decreased by approximately RMB1.1 million or approximately 18.6% as compared to the Previous Reporting Period. The gross profit margin of furniture products increased to approximately 9.8% for the Reporting Period from approximately 7.6% in the Previous Reporting Period. The increase in gross profit was primarily attributable to a decrease of approximately RMB2.9 million in provision for loss of inventories recognised during the Reporting Period compared to the Previous Reporting Period. Excluding such factor, the gross profit margin for the Reporting Period slightly increased by 0.1% as compared to the Previous Reporting Period. As mentioned above, in light of the extremely weak demand in the furniture industry as a whole, and the increasingly stringent lockdown and control measures across the country as a result of the nationwide spread of the COVID-19 pandemic during the first six months of the Reporting Period, bidding activities across various regions have significantly decreased as compared to the Previous Reporting Period. Therefore, the Group adhered to its operation strategies last year and continued to compete for more orders at lower product prices in order to maintain effective operations. As the nationwide pandemic control measures are gradually lifted amid a recovering economy, the Group will adjust pricing strategies accordingly to maintain a strong competitive position based on the actual circumstances.

Data centre segment: gross profit for the Reporting Period increased by approximately RMB4.2 million or approximately 247.1% as compared to the Previous Reporting Period. The increase in gross profit margin from approximately -4.9% for the Previous Reporting Period to approximately 10.6% for the Reporting Period was mainly attributable to the fact that: (i) the amortisation of the intangible assets arising from the acquisition of the data centre of approximately RMB8.3 million was recorded as cost of sales in the Previous Reporting Period, as there were no associated cost in the Reporting Period due to the full amortisation of the intangible assets in the Previous Reporting Period; (ii) after excluding such factor, the gross profit margin for the Previous Reporting Period was adjusted to approximately 18.7%. The decline in gross profit margin during the Reporting Period, as compared to the adjusted gross profit margin of the Previous Reporting Period, was attributable to intensified competition in the data centre business, which has squeezed gross margin space, as well as an increase in certain operating costs.

Buildout management service segment: the Group recognised the gross profit of the buildout management services of approximately RMB3.6 million during the Reporting Period, representing a decrease of approximately RMB2.0 million or approximately 35.8% as compared to the Previous Reporting Period. The decrease in gross profit was mainly due to a significant decrease in the recognised revenue from the buildout projects due to the decrease in number of completed projects for the current year compared to the Previous Reporting Period. The decrease in the gross profit of such segment was the main reason for the overall decrease in the gross profit of the Group.

Other income, net

During the Reporting Period, the Group's other income, net amounted to approximately RMB5.0 million, representing a decrease of approximately RMB1.0 million or approximately 17.2% as compared to the Previous Reporting Period. The decrease was primarily attributable to the year-on-year decrease in interest income on other receivables, interest income arising from unwinding contract assets with significant financing component, ancillary income, and other income for the Reporting Period as compared to the Previous Reporting Period due to the impact of the previous reporting period being six months longer than the Reporting Period, notwithstanding the increase in interest income from loan receivables and net exchange gains as compared to the Previous Reporting Period.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB6.4 million, representing a decrease of approximately RMB5.4 million or approximately 46.0% as compared to the Previous Reporting Period. Of which: the data centre segment and buildout management service segment did not incur any selling expenses during the Reporting Period and the Previous Reporting Period. The decrease in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to the fact that the period covered by the Reporting Period was six months shorter than the Previous Reporting Period. In terms of 12-month average selling and distribution expenses for the Previous Reporting Period, the selling and distribution expenses during the Reporting Period decreased by approximately 19.0% as compared to the Previous Reporting Period, mainly attributable to the Company's strict control over daily expenses, reduction in unnecessary spending, and enhancement of operational efficiency. During the Reporting Period, apart from a year-on-year increase in wages and social insurance and housing provident fund contributions, the Group has achieved significant reductions in freight costs, installation and handling fees, business entertainment expenses, showroom renovation expenses, depreciation, and various other daily operating expenses.

Administrative and other expenses

During the Reporting Period, the Group's administrative and other expenses (including impairment loss on assets) amounted to approximately RMB82.9 million, representing an increase of approximately RMB13.2 million or approximately 19.0% as compared to the Previous Reporting Period.

Of which: administrative and other expenses of the data centre segment and buildout management service segment amounted to approximately RMB7.1 million, representing a decrease of approximately RMB6.1 million or approximately 46.3% as compared to the Previous Reporting Period. The decreases were mainly attributable to: (i) the decrease in the expenses related to the recognition of goodwill impairment by approximately RMB3.5 million as compared to that of the Previous Reporting Period; (ii) the impact of the Reporting Period being six months shorter than the Previous Reporting Period. Excluding the goodwill impairment factors, on a monthly average basis, administrative and other expenses decreased by approximately 0.9% for the Reporting Period as compared to the Previous Reporting Period.

Excluding the administrative expenses incurred from the data centre segment and buildout management service segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB75.8 million, representing an increase of approximately RMB19.3 million or approximately 34.2% as compared to the Previous Reporting Period. The increases were mainly attributable to the following facts:

(i) during the Reporting Period, the Company provided an impairment loss on assets of approximately RMB49.8 million due to the borrower's failure to make repayment on time in relation to the pledge of properties such as land and buildings by Sichuan Greenland to assist Mr. Luo Jinyao (Yaobang Group is controlled by Mr. Luo Jinyao, as a borrower) or its subsidiary to obtain the financing;

(ii) during the Reporting Period, the Company purchased three wealth management products issued by Zhongzhi Enterprise Group with an aggregate principal amount of RMB10 million, and the estimated fair value assessment would require a provision of approximately RMB9.5 million for losses due to the higher risk of redemption.

However, the losses during the Reporting Period were partially offset by a significant decrease in administrative and other expenses compared to the Previous Reporting Period, primarily attributable to:

(i) the equity-settled share-based payment expenses of approximately RMB3.8 million recognised during the Reporting Period due to the share options granted in the Previous Reporting Period, representing a decrease of approximately RMB12.7 million as compared to the Previous Reporting Period;

(ii) the share-based payment expenses of approximately RMB13.8 million arising from the issuance of convertible bonds in the Previous Reporting Period, whereas there were no such expenses during the Reporting Period;

(iii) Sichuan Greenland's active efforts in collecting overdue receivables with significant balances, resulting in a decrease of approximately RMB6.3 million in provision for impairment losses on trade and other receivables and prepayments during the Reporting Period compared to the Previous Reporting Period;

(iv) the impact of the Previous Reporting Period being six months longer and the Company's tightened control over daily expenses, in which case, excluding the above-mentioned special factors, other daily administrative expenses, when averaged on a monthly basis, decreased by approximately 5.7% during the Reporting Period compared to the Previous Reporting Period.

Finance Costs

The Group incurred finance costs of approximately RMB9.9 million for the Reporting Period (Previous Reporting Period: approximately RMB9.4 million), representing a year-on-year increase of approximately RMB0.5 million or approximately 5.2%, mainly due to: (i) the increase in interest expense arising from the issuance of convertible bonds by the Group of approximately RMB1.7 million as compared to the Previous Reporting Period, mainly attributable to the completion of the placing of convertible bonds with a total principal amount of US$8 million on 6 August 2021, and the year-on-year increase in the imputed interest expense incurred, which was due to the 37 more days of interest calculation in the Reporting Period than in the Previous Reporting Period and the exchange difference; and (ii) the decrease in interest expense on lease liabilities incurred under the HKFRS 16 by approximately RMB1.1 million as compared to the Previous Reporting Period, due to a decrease in lease liabilities during the Reporting Period as compared to the Previous Reporting Period; and (iii) the decrease in Interest on bank borrowings of approximately RMB0.1 million as compared to the Previous Reporting Period.

Income Tax Credit

The Group's income tax credit for the Reporting Period was approximately RMB4.2 million, representing an increase of approximately RMB2.7 million or approximately 189.8% as compared to the Previous Reporting Period. The increase was attributable to (i) provision made for impairment loss on the properties, including land and buildings, pledged by the furniture products segment, whose deferred tax credit of approximately RMB4.4 million in respect of the fair value adjustment on assets related to the acquisition of a subsidiary in the previous year was transferred out as income tax credit in the current period, meanwhile, other income tax credit of the segment decreased by approximately RMB0.1 million year-on-year; (ii) there was deferred tax credit of approximately RMB2.1 million in respect of the fair value adjustment on assets related to the acquisition of date centre segment in the Previous Reporting Period while there was no such credit in the Reporting Period; and (iii) the year-on-year decrease in the Group's provision for corporate income tax of approximately RMB0.5 million during the Reporting Period as compared to the Previous Reporting Period.

Loss for the Year Attributable to Owners of the Company

Loss for the year attributable to owners of the Company for the Reporting Period was approximately RMB79.2 million (Previous Reporting Period: loss of approximately RMB73.7 million). The increase in losses was primarily attributable to the increase in the Group's administrative and other expenses (including impairment loss on assets) of approximately RMB13.2 million during the Reporting Period as compared to Previous Reporting Period, mainly due to the provision for impairment loss on assets and loss on investment in wealth management products. Additionally, other income, net decreased by approximately RMB1.0 million, and financing costs increased by approximately RMB0.5 million during the Reporting Period as compared to the

Previous Reporting Period, all contributing to the increase in losses. In addition, despite a decrease in the revenue of approximately 35.8% during the Reporting Period as compared to the Previous Reporting Period, the cost of sales decreased by approximately 38.6%, leading to an increase of approximately RMB1.1 million in gross profit due to an improvement in gross profit margin. Sales and distribution expenses decreased by approximately RMB5.4 million as compared to the Previous Reporting Period. And income tax credit increased by approximately RMB2.7 million year-on-year. These three factors partially offset the increase in losses. A detailed analysis of the indicators of revenue, costs, gross profit, and expenses is set out in the explanatory notes to the above indicators in the section headed "Management Discussion and Analysis" of this report and will not be repeated in detail.

Contract Assets, Trade, Lease and Other Receivables

Contract assets, trade, lease and other receivables of the Group for the Reporting Period amounted to approximately RMB50.9 million (Previous Reporting Period: approximately RMB92.1 million). The decrease was mainly attributable to: (i) the decrease in contract assets of approximately RMB18.6 million, mainly due to a decrease in the buildout management service segment as a result of construction works reached a completion and fulfillment for settlement conditions; (ii) the decrease in other receivables of approximately RMB22.1million, including a decrease in the manufacturing and sales of furniture products segment of approximately RMB16.1 million, mainly attributable to: a) a year-on-year decrease in the balance of purchase of wealth management products issued by Zhongzhi Enterprise Group of approximately RMB8.0 million; b) purchase of three wealth management products issued by Zhongzhi Enterprise Group with an aggregate principal amount of RMB10 million during the Reporting Period. Due to the higher risk of redemption associated with these products, a provision for investment loss of approximately RMB9.5 million was recognised based on fair value assessment and included as a reduction of other receivables; c) an increase in prepayments for material purchases of approximately RMB1.9 million. The other receivables of the data centre segment decreased by approximately RMB6.2 million, mainly due to the recovery of the principal amount of the temporary borrowings and interest thereon during the Reporting Period. The other receivables of the Hong Kong headquarters increased by approximately RMB0.2 million; (iii) the decrease in trade and lease receivables of approximately RMB0.5 million, including an increase in the manufacture and sale of furniture products segment of approximately RMB1.9 million, attributable to the increase in outstanding trade receivables; and a decrease in the data centre segment of approximately RMB2.4 million, attributable to the recovery of the lease receivables in previous periods.

Loan Receivables

The Group had loan receivables of approximately RMB50.0 million during the Reporting Period (Previous Reporting Period: approximately RMB50.0 million). Due to the SPV Loan Agreement entered into between the Company as lender and the SPV as borrower on 2 June 2021, pursuant to which the tranche 1 of the loan amounting to RMB50,000,000 had been drawn on 10 August 2021 and is repayable on or before 30 months from the drawdown date of the tranche 1 of the loan (i.e. with a maturity date of 10 February 2024), which is required to be reclassified as short-term loan receivable under the item of current assets as the aforesaid loan will be matured within one year. (The SPV is owned as to 50% by Cloud Knight, which in turn is wholly owned by Mr. Man Lap and as to 50% by Lightning Cloud, which in turn is wholly owned by Mr. Lai. The loan is secured by the entire issued share capital of Cloud Knight and Lightning Cloud and guaranteed by Mr. Man and Mr. Lai with an interest rate of 6% per annum).

Trade and Other Payables

Trade and other payables of the Group for the Reporting Period amounted to approximately RMB39.6 million (Previous Reporting Period: approximately RMB30.5 million). Such increase was primarily attributable to: (i) the increase in trade payables of approximately RMB11.8 million, including an increase of approximately RMB9.1 million in the buildout management service segment, which was related to trade payables arising from construction works reached completion and fulfillment for settlement conditions; and an increase in the manufacture and sale of furniture products segment and the data centre segment of approximately RMB1.1 million and approximately RMB1.6 million, respectively, which were attributable to trade payables arising from the trading business; (ii) the decrease in other payables of approximately RMB2.7 million, offsetting the increase in trade payables, including a decrease in the manufacture and sale of furniture products segment and the data centre segment of approximately RMB1.0 million and approximately RMB2.5 million, respectively, and an increase of approximately RMB0.8 million in Hong Kong headquarters, all of which were related to temporary outstanding payables arising in the usual course of business.

Contract Liabilities

The Group's contract liabilities for the Reporting Period amounted to approximately RMB4.0 million (Previous Reporting Period: approximately RMB33.6 million). Such decrease was mainly attributable to the decrease in contract liabilities of the buildout management service segment by approximately RMB31.1 million, mainly due to the construction works reached completion and fulfillment for settlement conditions during the Reporting Period, which was offset by the increase in contract liabilities of approximately RMB1.5 million of the manufacture and sale of furniture products segment as a result of the collection of prepayments for sales contracts.

Convertible Bonds

The Group had convertible bonds of approximately RMB77.9 million during the Reporting Period (Previous Reporting Period: approximately RMB64.8 million). Such increase was mainly attributable to:

(i) On 15 January 2020, the Company issued zero coupon convertible bonds with a principal amount of HK$12,400,000 for the acquisition of Polyqueue Limited. The convertible bonds denominated in HKD will mature in four years (being 15 January 2024) from the issue date at their principal amount or can be converted into ordinary shares of the Company at the holder's option at initial conversion price HK$0.24 per conversion share.

(ii) On 6 August 2021, the Company issued convertible loan notes with a nominal value of US$8,000,000. The notes are convertible at the option of the noteholders into fully paid ordinary shares with a par value of HK$0.01 each of the Company on or after 6 August 2021 up to and including 6 February 2024 at an initial conversion price of HK$0.5 per share. Any convertible notes not converted will be redeemed on 6 February 2024 at 122% of their principal amount. Interest of 4% will be paid semi-annually. The convertible notes shall be translated at the fixed exchange rate of US$1:HK$7.8.

As at the date of this report, since the convertible bonds mentioned in (i) and (ii) above have not been converted by the holders thereof and all of them are due to expire in less than one year, the amounts reflected as long-term liabilities based on the fair value of the convertible bonds should be reclassified to the convertible bonds payable under current liabilities.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE OR ISSUANCE OF CONVERTIBLE BONDS

(a) On 15 January 2020, pursuant to the sale and purchase agreement dated 21 October 2019, the Company acquired the entire issued share capital of the target company holding the data centre business from the sellers at a consideration of HK$37,200,000. Of which, HK$12,400,000 was paid by the Company to the sellers through the issuance of convertible bonds, which can be converted into conversion shares at an initial conversion price of HK$0.24 per share (subject to adjustment), and the maturity date was the fourth anniversary date of the issue of convertible bonds, i.e. 15 January 2024, or if such day is not a business day, the business day immediately following such day.

Assuming the above convertible bonds are fully exercised, the Company will allot and issue not more than 51,666,667 conversion shares. The consideration shares will represent approximately 12.85% of the then issued share capital of the Company, or approximately 11.39% of the issued share capital of the Company as enlarged by the allotment and issuance of the consideration shares.

For details of the agreement and the convertible bonds, please refer to the circular of the Company dated 13 December 2019.

As at the date of this report, the sellers have not converted the convertible bonds above.

(b) On 2 June 2021, the Company and the placing agent entered into a placing agreement to subscribe for convertible bonds with an aggregate principal amount of up to US$8,000,000 in cash at an issue price of 100% of the principal amount of such convertible bonds. The convertible bonds shall carry a coupon interest of 4% per annum, payable semi-annually. Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible bonds shall be redeemed at 122% of its principal amount on the Maturity Date. The "**Maturity Date**" shall be the date falling 30 months from the date of issue of the convertible bonds.

Based on the conversion price of HK$0.50 per conversion share, a maximum number of 124,800,000 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full, which represent approximately 13.75% of the then issued share capital of the Company, or approximately 12.09% of the issued share capital of the Company as to be enlarged by the allotment and issuance of the conversion shares to be allotted and issued upon the exercise of the conversion rights attached to the convertible bonds in full.

On 6 August 2021, the Company completed the placing of the above convertible bonds by allotting and issuing convertible bonds in the aggregate principal amount of US$8,000,000 to four placees. The maturity date of the convertible bonds is the date falling 30 months from the issue date, i.e. 6 February 2024.

The net proceeds from the placing of approximately HK$60.2 million have been used for the Group's commitments under the SPV Loan Agreement.

For details of such placing of convertible bonds, please refer to the circular of the Company dated 16 July 2021 and announcements of the Company dated 2 August 2021 and 6 August 2021.

As at the date of this report, the above convertible bonds have not been converted by the placees.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During the Reporting Period, the Group financed its operations by internally generated cash flow. As at 30 June 2023, the net current assets of the Group amounted to approximately RMB18.3 million (30 June 2022: approximately RMB63.1 million), including bank balances and cash of approximately RMB33.8 million (30 June 2022: approximately RMB28.9 million). As at 30 June 2023, the Group has no outstanding interest-bearing bank loans (30 June 2022: the Group has no outstanding interest-bearing bank loans). As at 30 June 2023, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.1 (30 June 2022: 1.9).

CAPITAL STRUCTURE

As at 30 June 2023, the Company's issued capital was approximately HK$9,073,333 and the number of its issued ordinary shares was 907,333,333 of HK$0.01 each.

As at 30 June 2023, the Group's total equity attributable to owners of the Company amounted to approximately RMB47.3 million (30 June 2022: approximately RMB127.9 million). The Group's equity attributable to owners of the Company included share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's business transactions are mainly conducted in RMB, the exposure of the Group to foreign exchange fluctuations was not significant. As at 30 June 2023, the Group was not a party of any foreign currency hedging instruments. However, the Group will review and monitor foreign exchange exposure risks from time to time and is prepared to take prudent measures such as hedging when appropriate actions are required.

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

GEARING RATIO

The gearing ratio as at 30 June 2023 (defined as total debt divided by total equity, where total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) was approximately 2.03 (30 June 2022: approximately 0.72).

CAPITAL COMMITMENTS

As at 30 June 2023, saved as disclosed in Pledge of Assets in this report, the Group had no any significant capital commitments.

PLEDGE OF ASSETS

On 25 January 2022, the Company entered into an agreement with Yaobang Group, pursuant to which the Company provided a parcel of land and buildings located at Chengdu City as pledge (the "**Pledge**") for the term of 36 months to assist Yaobang Group in obtaining financing from Bank(s) of up to RMB60,000,000 to acquire, invest and/or develop the data centre business in the PRC. On 12 April 2022, the Company held the extraordinary general meeting and resolved to approve, confirm and ratify the above agreement and the transactions contemplated thereunder. For details of the agreement, please refer to the announcement and circular of the Company dated 25 January 2022 and 25 March 2022, respectively.

On 25 May 2022, Yaobang Group entered into a financing arrangement with the Bank(s), and authorised its subsidiary to enter into an agreement with ICBC relating to working capital loans in an amount of RMB45.0 million with a term of 12 months from the date of withdrawal (the "**Loan**").

Due to the failure of the Borrower and its subsidiaries to repay the Loan when due, Sichuan Greenland, has received a written notice from the Bank(s) demanding Sichuan Greenland to observe and perform its obligations under the Pledge. For further details, please refer to the voluntary announcement of the Company dated 2 June 2023 in respect of the business update.

As a result of the above, the Company has made a provision for impairment loss of approximately RMB49.8 million, based on the net book value, in respect of the Properties, including land and buildings, pledged by Sichuan Greenland, located in Chengdu City.

The Group has been continuously in ongoing discussions with relevant parties such as the Borrower and the Bank on the possible solutions for the aforesaid matter to protect the interests of the Group. The Group has initiated legal proceedings in court regarding the aforementioned matter and has sought pre-litigation preservation of assets belonging to the Borrower and its subsidiaries, which were accepted by the court on 28 August 2023.

Other than that, the Group had no asset pledge agreement.

SIGNIFICANT INVESTMENTS HELD

During and before the Reporting Period, the Group subscribed to certain wealth management products from Zhongzhi Enterprise Group and one of which in the principal amounts of RMB4 million had become overdue in August 2023 without being redeemed pursuant to the terms of the subscription agreement (details including current performance and prospects of which are set out in the Company's announcements dated 11 August 2023 and 25 August 2023). However, there was no individual investment with a carrying value of 5% or more of the Group's total assets as at 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed herein, as at the date of this report, the Group does not have any specific plans for material investments or capital assets. However, the Group will continue to seek investment opportunities to meet the Group's strategic development both domestically and internationally so as to enhance the Group's sustainable and stable development.

CONTINGENT LIABILITIES

As at the date of this report, saved as disclosed in Pledge of Assets in this report, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group engaged a total of 180 employees (30 June 2022: 198) including the Directors. During the Reporting Period, total staff costs (including equity-settled share-based payment to Directors) amounted to approximately RMB18.3 million (Previous Reporting Period: approximately RMB38.3 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations cover a broad range of environmental issues, including air pollution, noise emissions, discharge of sewage and waste residues.

The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources. The Group will continue to monitor the production process in order to ensure that it does not have significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable current local and national PRC regulations.

As at the date of this report, no major administrative sanction, penalty or punishment has been imposed upon the Group for the violation of any environmental laws or regulations.

The environment, social and governance report of the Group for the Reporting Period will be issued on the websites of the Stock Exchange and the Company (www.qtbgjj.com) on or before 29 September 2023.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, three wealth management products remain outstanding with the aggregate principal amount of RMB10 million.

(i) one of such products was issued by Zhongzhi International Investment Holdings Group Limited* (中植國際投資控股集團有限公司) in the principal amount of RMB4 million for a term of six months on 1 February 2023 had become overdue in August 2023 without being redeemed pursuant to the terms of the subscription agreement; and

(ii) two of such products were issued by Zhongzhi Automobile Anhui Limited* (中植汽車安徽有限公司) in the principal amount of RMB3 million for a term of six months on 4 April 2023 and in the principal amount of RMB3 million for a term of seven months on 20 April 2023 are not yet due.

For details, please refer to the announcement of the Company dated 11 August 2023 in relation to the discloseable transactions in respect of subscriptions of wealth management products.

Due to a higher risk of redemption, in accordance with prudence principles and in order to fairly reflect the Group's financial position, the Group has made a provision for investment losses of approximately RMB9.5 million based on the fair value assessment.

The Company will take legal measures, including litigation, arbitration, property preservation and negotiation, etc., to do its best to pursue liability for breach of contract from the issuer of the overdue product, to recover investment losses as much as possible, and to protect the interests of Shareholders.

Saved as aforesaid, the Group has no disclosable matters which are yet to be disclosed.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Saved as disclosed herein, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Reporting Period.

* For identification purpose only

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Group's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 30 June 2023 and up to the date of this report, the Group has complied with the applicable code provisions ("**Code Provisions**") of the CG Code, except for the following deviations:

(a) Code provision C.2.1 of the CG Code provides 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.

The Company does not have a chairman of the Board since the resignation of Mr. Ma Gary Ming Fai from that position in September 2018. The duties of the chairman have been taken up by the chief executive officer of the Company during the transition period. The Board is in the process of locating appropriate candidate to fill the vacancy of the chairman. During the Reporting Period, the duties of the chairman were performed by Mr. Yi Cong, the Chief Executive Officer. The chief executive officer is responsible for the day-to-day management of the business and provides leadership for the Board. Despite the roles/duties of the chairman and chief executive are performed by the same person, the Board considers that the transitional arrangement provides efficient communications and strong leadership and thus is beneficial to the Group. Balance of power is safeguarded in that major matters are discussed at the Board room and decided by Directors in Board meetings. Each Director can also propose issues to which he concerns at Board meetings.

(b) Code provision F.2.2 of the CG Code provides that the chairman of the board of directors should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committees or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

As disclosed above, there is no chairman of the Board during the Reporting Period. The duties of the chairman are performed by the chief executive officer of the Company. All Directors attended the annual general meeting of the Company held on 9 December 2022 (the "**2022 AGM**"). Representative(s) of the external auditor, ZHONGHUI ANDA CPA Limited, also attended the 2022 AGM. The Company considers that the members of the Board who attended the 2022 AGM were able to sufficiently answer questions from shareholders at the 2022 AGM.

The Board will continue to review and implement steps/measures as appropriate in a timely manner in order to comply with the requirements of the CG Code and enhance the corporate governance practices of the Group.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Company and oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors. The independent non-executive Directors are responsible for participating in Board meetings and to take the lead where potential conflicts of interest arise and for serving on the audit, remuneration, nomination and any other governance committees, if invited.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (especially those involving any conflict of interest), major capital expenditure, appointment of Directors and other significant financial and operational matters.

Board composition

Up to the date of this report, the Board comprised eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Yi Cong *(Chief Executive Officer)*
(appointed on 19 May 2016 and resigned as compliance officer on 1 April 2021)
Mr. Liang Xing Jun (appointed on 19 May 2016)
Mr. Ma Gary Ming Fai *(compliance officer)* (appointed on 1 April 2021)
Mr. Lai Ningning (appointed on 2 August 2021)

Non-executive Director

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

The details of Directors are set out in the section headed "Biographies of Board of Directors and Senior Management" on pages 57 to 60 of this report. The wife of Mr. Yi Cong is the sister of the wife of Mr. Liang Xing Jun. Other than that, there are no family or other material relationships among members of the Board.

The Group is governed by the Board which has the responsibility for leadership and monitoring of the Group. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholder value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

Number of Meetings and Directors' Attendance

The Board will conduct at least four regular meetings a year. At least a 14-day notice will be given to all Directors before convening any Board meeting. All related information will be submitted to the Directors at least three days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's second amended and restated articles of association (the "**Articles**").

During the Reporting Period, the Company held six Board meetings, three audit committee (the "**Audit Committee**") meetings, one remuneration committee (the "**Remuneration Committee**") meeting and one nomination committee (the "**Nomination Committee**") meeting. All minutes of the Board meetings and meetings of Board committees recorded in sufficient detail the matters considered by the Board and the decisions reached. During the Reporting Period, the Audit Committee has held meetings to review the accounting principles and practices adopted by the Group and the financial results, whether there was any significant issues on financial reporting, internal control and risk management systems and the re-appointment and remuneration of the external auditor. During the Reporting Period, the Remuneration Committee held a meeting to review the remuneration policy and package of the executive Directors and senior management of the Group, and to review the remuneration of the non-executive Directors. No material matters relating to share schemes under Chapter 23 of the GEM Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Reporting Period. During the Reporting Period, the Nomination Committee held a meeting to review the structure, size and composition of the Board, the resignation and possible appointment of Directors, the independence of the independent non-executive Directors, the Board Diversity Policy and the Nomination Policy as well as to consider and make recommendations to the Board on the appointment of new Directors and reappointment of the Directors standing for re-election at the annual general meeting of the Company. Details of the attendance of Directors are as follows:

	Attendance/Number of meetings				
Name of Directors	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Yi Cong	5/6	–	–	–	1/1
Mr. Liang Xing Jun	4/6	–	–	–	1/1
Mr. Ma Gary Ming Fai	5/6	–	–	–	1/1
Mr. Lai Ningning	5/6	–	–	–	–
Non-executive Director:					
Mr. Luo Guoqiang	6/6	–	–	–	1/1
Independent Non-executive Directors:					
Mr. Chan Wing Kit	6/6	3/3	1/1	1/1	1/1
Ms. Cao Shao Mu	4/6	3/3	1/1	1/1	1/1
Mr. Li Saint Chi Sainti	6/6	3/3	1/1	1/1	1/1

The company secretary of the Company ("**Company Secretary**") attended all the scheduled Board meetings to report on matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independence non-executive directors (collectively, the "**INEDs**" and each an "**INED**") representing more than one-third of the Board and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs have made various contributions to the Company. The Board believes that the Board has sufficient independence to safeguard the interests of the Shareholders.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice will be given for a regular Board meeting. For other Board and committees meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or Board committees meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Appointment and Re-election of Directors

The Articles provide that at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director is not required to retire upon reaching any particular age.

If at any general meeting at which an election of Directors ought to take place, the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting and so on from year to year until their places are filled.

The non-executive Directors should be appointed for a specific term and subject to re-election. Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company. The appointment letter of each of the non-executive Director and independent non-executive Directors is for a term of three years commencing from the Listing Date (i.e. 20 January 2017) or their appointment date (as the case may be), which would be renewed yearly when expired and may be terminated by not less than three months' notice in writing served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles. Details of the appointment letters are summarised in the Report of the Board of Directors on pages 41 to 42 of this report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations. Records of the training received by the respective Directors are kept and updated by the Company Secretary.

Independent non-executive Directors

Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti were appointed as the independent non-executive Directors with effect from 17 December 2016 for Mr. Chan Wing Kit and Ms. Cao Shao Mu and 1 June 2022 for Mr. Li Saint Chi Sainti.

The Company has received from each of its independent non-executive Directors written annual confirmation of his/her independence. The Company considers the independent non-executive Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

Non-executive Director

Mr. Luo Guoqiang was appointed as the non-executive Director with effect from 28 September 2018.

Executive Directors

Mr. Yi Cong, Mr. Liang Xing Jun, Mr. Ma Gary Ming Fai and Mr. Lai Ningning were appointed as the executive Directors with effect from 19 May 2016 for Mr. Yi Cong and Mr. Liang Xing Jun, 1 April 2021 for Mr. Ma Gary Ming Fai and 2 August 2021 for Mr. Lai Ningning.

Mr. Yi Cong was appointed as the Chief Executive Officer and, by the order of the Board, is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti. Mr. Chan Wing Kit is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Group's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs and budget.

The Audit Committee has reviewed the Group's consolidated financial statements for the Reporting Period. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 26 in this report.

Remuneration Committee

The Remuneration Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti. Mr. Chan Wing Kit is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals, and ensure none of the Directors determine their own remuneration. The Remuneration Committee is also responsible for reviewing and/or approving matter relation to share schemes under Chapter 23 of the GEM Listing Rules and approving the grant of options and share awards to eligible participants pursuant to the share schemes of the Company. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Remuneration Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 26 in this report.

Senior Management's remuneration

Remuneration of the senior management of the Group (excluding Directors) for the Reporting Period falls within the following band:

RMB	Number of individuals
Nil to RMB1,000,000	3

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 12 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility, individual performance and achievements, taking into account market competitiveness with reference to the recommendations made by the remuneration committee of the Board. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members. The Company has adopted a share option scheme as an incentive to Directors and other relevant eligible participants.

Nomination Committee

The Nomination Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti. Mr. Chan Wing Kit is the chairman of the Nomination Committee.

The policy for the nomination of Directors, including the nomination procedure and process, are to invite nominations from Board members or Nomination Committee members. After undertaking adequate due diligence in respect of any such nominee, the Nomination Committee makes recommendations for the Board's consideration and approval. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee makes recommendations to the Board for its consideration and recommendation and for the proposed candidates to stand for re-election at annual general meeting.

The Nomination Committee considers the following criteria in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the relevant industry and other relevant sectors;

(c) commitment in respect of sufficient time, interests and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The full terms of reference setting out details of duties of the Nomination Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Nomination Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 26 in this report.

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the financial position of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Reporting Period, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

ZHONGHUI ANDA CPA Limited ("**Zhonghui**"), has been appointed as the auditor of the Company with effect from 15 June 2022.

The reporting responsibilities of the Company's auditor, Zhonghui, are set out in the Independent Auditor's Report on pages 61 to 65 of this report.

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid or payable to the Company's auditor was as follows:

Services rendered	HK$'000
Annual audit service for the Reporting Period	720
Non-audit service for the Reporting Period	10
Total	730

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in this corporate governance report.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") in accordance with the requirement as set out in the CG Code, which is summarised as below:

The Board Diversity Policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the objectives of the Board Diversity Policy.

As at the date of this report, the Board consists of one female and seven male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Currently, the male to female ratio in the workforce of the Group including senior management is approximately 70:30. The Board considers that the gender diversity in workforce is currently achieved.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the Reporting Period and up to the date of this report.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings. The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

Significant Changes in the Constitutional Documents

At the annual general meeting of the Company held on 9 December 2022, a special resolution was passed to adopt the second amended and restated memorandum and articles of association of the Company in substitution for, and to the exclusion of, the existing amended and restated memorandum and articles of association of the Company, as set out in the announcement of the Company dated 9 December 2022 in relation thereto. The Articles are available on the websites of the Stock Exchange and the Company (www.qtbgjj.com).

General Meetings with Shareholders

The Company's annual general meeting will be held on 20 October 2023.

SHAREHOLDERS' RIGHTS

(a) Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 64 of the Articles, any shareholders holding at the date of deposit of the requisition not less than one tenth of the voting rights at general meetings of the Company on a one vote per Share basis shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(b) Procedures for putting forward proposals at shareholders' meetings

Pursuant to the Articles, shareholders who wish to move a resolution may requisition the Company to convene an extraordinary general meeting following the procedures set out above.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Group in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate email of the Company (ir@qtbgjj.com) has provided an effective communication platform to the public and the shareholders.

The Board has reviewed the implementation and effectiveness of the Company's Shareholders' Communication Policy including steps taken at the general meetings and the multiple channels of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during the Reporting Period under review and is effective.

COMPANY SECRETARY

Ms. Leung Yuk Yi resigned as the company secretary of the Company (the "**Company Secretary**") and ceased to act as the general company secretary of the Group due to her personal engagement on 31 May 2023. On 31 May 2023, Ms. Yuen Lai Sheung was appointed as the company secretary of the Company. Her primary contact at the Company is Mr. Yi Cong, the Chief Executive Officer and Mr. Ma Gary Ming Fai, the Executive Director.

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

The Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Reporting Period, through the establishment of an internal control review and risk management audit group (the "**Internal Audit Group**"), which is independent of the Finance Department and reports to the Audit Committee, the Board had reviewed the design and implementation effectiveness of the Group's risk management and internal control system, covering all material control measures, including the financial, operational and compliance controls, to ensure that the Group's accounting, internal audit and financial reporting functions have adequate resources, staff qualifications and experience, training programmes and budget. In this regard, the Audit Committee would inform the Board of any significant matters.

During the Reporting Period, the Internal Audit Group conducted a series of routine audits, surveys and interviews to assist in the identification and assessment of the Group's risks. In addition, specific internal control reviews are carried out to assess the effectiveness of the Group's risk management and internal control system.

The results of the specific review and assessment were reported to the Audit Committee and the Board. Moreover, proposed improvements in internal control and risk management measures as recommended by the Internal Audit Group to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the Internal Audit Group as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritised and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Principal Risks

During the Reporting Period, the following principal risks of the Group were identified and classified into strategic risks, compliance risks, operational risks and financial risks.

Risk Areas	Principal Risks
Strategic Risks	Intensified competition in the furniture industry as it is still experiencing a challenging demand environment; security risk in the furniture products segment associated with the provision of guarantees by pledging properties; and high dependence on "leasing from a single data centre operator" in the data centre segment
Compliance Risks	Risk of not receiving timely updates on laws and regulations, listing rules, and accounting standards
Operational Risks	Increased risk of labour disputes in the furniture products segment and the morale and attrition of employees in the data centre segment
Financial Risks	Increased risk of bad debts from prepayments in the furniture products segment; risk of investment losses arising from the purchase of wealth management products in the furniture products segment; and risk associated with email-based approval processes in the data centre management

Our Risk Control Mechanism

The Group adopts a "three lines of defense" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit conducted by the internal control review and risk management audit group independent of the Finance Department. The Group maintains a risk register to keep track of all identified major risks of the Group, which is updated at least once annually by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The risk management activities of the Company are performed by management on an ongoing process. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

By the engagement of the Internal Audit Group, the Company will consistently review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of any individual. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company present their report and the audited consolidated financial statements of the Group for the Reporting Period.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of office furniture products. The products are sold to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province etc. The Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland in Chengdu City and a branch office, Chongqing Branch Office of Sichuan Greenland in Chongqing City.

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC from 2020. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties.

In June 2021, WNT, a subsidiary of the Company, entered into a management agreement with Gu'an Fu'ai to commence buildout management service business.

For details of business review of the Group, please refer to the section headed "Management Discussion and Analysis" in this report, the discussion and information in which constitute part of this report of the board of the directors.

Key Performance Indicators

The Group's tender sales of furniture were approximately RMB38.0 million, which represented approximately 78.7% of its sale volume of the furniture business for the Reporting Period, and approximately 34.3% of the total revenue for the Reporting Period. The following table sets out the breakdown of submitted tenders to potential customers for the Reporting Period:

	During the Reporting Period
Number of tenders submitted	209
Value of total tenders submitted	RMB89.7 million
Number of tenders won	199
Success rate (by number of tenders submitted)	95.2%
Success rate (by value of tenders submitted)	57.5%

Future Developments and Prospects

Details of the future development of the business of the Group are set out in the sections headed "Chief Executive Officer's Statement" and "Management Discussion and Analysis" of this report.

Principal Risks and Uncertainties

The Board believes that major risk factors relevant to the Group have been disclosed in the section headed "Risk Factors" in the Prospectus. The analysis of other principal risks and uncertainties of the Group is summarised in the section headed "Principal Risks" of this report.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated with limited liability in the Cayman Islands on 4 March 2016.

The companies comprising the Group underwent a reorganisation ("**Reorganisation**") to rationalise the structure of the Group in preparation for the initial public offering of the shares at par value of HK$0.01 each of the Company on GEM. Pursuant to the Reorganisation, the Group became the holding company of the subsidiaries comprising the Group on 19 December 2016. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

The shares of the Company were listed on GEM of the Stock Exchange on 20 January 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Dividend Policy

In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account, inter alia:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions; and

(vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and the Articles. For more information on the dividend policy, please refer to the relevant sections of the Articles.

The dividend policy of the Company will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific period.

The financial performance of the Group for the Reporting Period and the financial position of the Company and the Group as at that date are set out in the consolidated financial statements on pages 66 to 135 of this report.

The Board has resolved not to recommend the declaration and payment of any interim or final dividend during the year ended 30 June 2023 (last financial year: Nil). No shareholder has agreed to waive dividends.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years is set out on page 136 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

BANK BORROWING

As of 30 June 2023, the Group has no outstanding bank loans.

INTEREST CAPITALISED

The Group has not capitalised any interest during the Reporting Period.

SHARE CAPITAL

Details of movements in the share capital of the Group during the Reporting Period are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2023, the distributable reserves of the Company amounted to approximately RMB39.3 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on GEM of the Stock Exchange on 20 January 2017. During the Reporting Period, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have bought or sold any shares in the Company.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this report were:

Executive Directors:

Mr. Yi Cong (appointed on 19 May 2016)
Mr. Liang Xing Jun (appointed on 19 May 2016)
Mr. Ma Gary Ming Fai (appointed on 1 April 2021)
Mr. Lai Ningning (appointed on 2 August 2021)

Non-executive Director:

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors:

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

Confirmation of Independence

Each independent non-executive Director has given the Company a written annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 57 to 60 of this report.

DIRECTORS' SERVICE CONTRACTS

(a) Executive Directors

Each of the executive Directors has entered into a service contract with the Company which became effective from the appointment date and shall continue unless terminated in accordance with the terms therein. Under the terms of each service contract, the service contract may be terminated by not less than six months' notice in writing served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Company. Under the terms of the appointment letter, the appointment shall be for a term of three years commencing from the Listing Date (i.e. 20 January 2017) or their appointment date (as the case may be), and shall continue year to year subject to the provisions on retirement by rotation of Directors as set out in the Articles and may be terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable within one year without payment of compensation other than statutory compensation).

EMOLUMENT POLICY

The Remuneration Committee of the Board is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management's remuneration, taking into account market competitiveness, individual performance and achievements. The Company has adopted a share option scheme as an incentive to Directors and other relevant eligible participants. Details of the scheme are set out in the "Share Option Scheme" below. Details of the Directors' remuneration and the five highest paid individuals are set out in note 12 to the consolidated financial statements.

PERMITTED INDEMNITY

The Articles provides that the Directors shall be indemnified and made harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of their own fraud or dishonesty.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no transaction, arrangement or contract of significance to the business of the Group which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director, the controlling shareholders (if any) nor their respective associates had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

Save as disclosed above, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the Reporting Period.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive in shares, underlying shares and debentures of the Company or its associated corporations

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary shares held/interested	Approximate percentage of the Company's issued share capital *(Note 5)*
Mr. Ma Gary Ming Fai ("**Mr. Ma**")	Interest in a controlled corporation *(Note 1)*	245,300,400 (Long position)	27.04%
Mr. Yi Cong ("**Mr. Yi**")	Interest of spouse *(Note 2)*	116,580,000 (Long position)	12.85%
Mr. Lai Ningning ("**Mr. Lai**")	Beneficial owner *(Note 3)*	100,000,000 (Long position)	11.02%
Mr. Li Saint Chi Sainti ("**Mr. Li**")	Beneficial owner *(Note 4)*	2,000,000 (Long position)	0.2204%

Notes:

1. Such shares are held by Sun Universal Limited, and its 100% equity interest is owned by Mr. Ma. Mr. Ma is deemed to be interested in the shares held by Sun Universal Limited for the purpose of Part XV of the SFO.

2. Mr. Yi is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi is deemed to be interested in the shares held by Ms. Zhang Gui Hong for the purpose of Part XV of the SFO.

3. Pursuant to the share option deed, the Company granted the share options to Mr. Lai, and Mr. Lai has the right to request the Company to allot and issue up to 100,000,000 subscription shares at the subscription price. After Mr. Lai fully exercised the share options, his shareholding represents 11.02% of the existing issued share capital of the Company and approximately 9.93% of the Company's issued share capital enlarged by the issuance of subscription shares. During the Reporting Period, Mr. Lai has not exercised any share option. (Note 28 to the consolidated financial statements)

4. Pursuant to the Share Option Scheme, the Company granted the share options to Mr. Li, and Mr. Li has the right to request the Company to allot and issue up to 2,000,000 subscription shares at the subscription price. After Mr. Li fully exercised the share options, his shareholding represents 0.2204% of the existing issued share capital of the Company and approximately 0.2199% of the Company's issued share capital enlarged by the issuance of subscription shares. During the Reporting Period, Mr. Li has not exercised any share option. (Note 28 to the consolidated financial statements)

5. Based on the total number of 907,333,333 ordinary shares in issue as at 30 June 2023.

Save as disclosed above, as at the date of this report, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors.

(b) Interests and short positions of the substantial shareholders in the shares and underlying shares

As at 30 June 2023, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of shareholder	Capacity/Nature of interest	Number of ordinary shares held/interested	Approximate percentage of the Company's issued share capital *(Note 6)*
Sun Universal Limited ("**Sun Universal**")	Beneficial owner	245,300,400 (Long position)	27.04%
Ms. Hung Fung King Margaret ("**Ms. Hung**")	Interest of spouse *(Note 1)*	245,300,400 (Long position)	27.04%
Brilliant Talent Global Limited ("**Brilliant Talent**")	Beneficial owner *(Note 2)*	116,580,000 (Long position)	12.85%
Ms. Zhang Gui Hong ("**Ms. Zhang**")	Interest in a controlled corporation *(Note 2)*	116,580,000 (Long position)	12.85%
Even Joy Holdings Limited ("**Even Joy**")	Beneficial owner *(Note 3)*	46,800,000 (Long position)	5.15%
Mr. Hung Kwong Yee ("**Mr. Hung**")	Interest in a controlled corporation *(Note 4)*	46,800,000 (Long position)	5.15%
Mr. Tsoi Tak ("**Mr. Tsoi**")	Beneficial owner *(Note 5)*	46,800,000 (Long position)	5.15%

Notes:

1. Ms. Hung is the spouse of Mr. Ma. Accordingly, Ms. Hung is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the SFO.

2. The entire issued share capital of Brilliant Talent is legally and beneficially owned by Ms. Zhang. Ms. Zhang is deemed to be interested in the shares held by Brilliant Talent for the purpose of Part XV of the SFO.

3. Pursuant to the Placing Agreement (Note 26 to the consolidated financial statements), the Company conditionally allotted the convertible bonds to Even Joy such that the placee may convert up to 46,800,000 shares of the Company at the conversion price. Upon conversion in full, its shareholding represents approximately 5.15% of the existing issued share capital of the Company. During the Reporting Period, Even Joy has not converted any convertible bond.

4. The entire issued share capital of Even Joy is legally and beneficially owned by Mr. Hung. Mr. Hung is deemed to be interested in the shares held by Even Joy for the purpose of Part XV of the SFO.

5. Pursuant to the Placing Agreement, the Company conditionally allotted the convertible bonds to Mr. Tsoi such that the placee may convert up to 46,800,000 shares of the Company at the conversion price. Upon conversion in full, his shareholding represents approximately 5.15% of the existing issued share capital of the Company. During the Reporting Period, Mr. Tsoi has not converted any convertible bond.

6. Based on the total number of 907,333,333 ordinary shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any person who had interests or short positions in the shares, underlying shares or debentures of the Company required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme (the "**Share Option Scheme**") was approved and conditionally adopted by the Board and shareholders of the Company by way of written resolutions on 19 December 2016 and is valid and effective for a period of ten years commencing on such adoption date (i.e. 19 December 2026). The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

(b) Who may join

The Board may, at its absolute discretion, invite any person belonging to the following classes of participants, to take up options to subscribe for Shares:

(i) any eligible employee;

(ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity;

(iii) any supplier of goods or services to any member of the Group or any invested entity;

(iv) any customer of the Group or any invested entity;

(v) any person or entity that provides research, development or other technological support to the Group or any invested entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any invested entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; and

(viii) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of the Group,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust;

Subject to the Share Option Scheme and the GEM Listing Rules, the Board shall be entitled at any time and from time to time within the period of the Share Option Scheme to offer to grant to any participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of shares as the Board may determine at a price calculated in accordance with sub-paragraph (f) below.

(c) Total number of shares to be issued

(i) The total number of shares which may be issued upon exercise of all options (excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date (and subsequently, if refreshed, it must not exceed 10% of the issued share capital as at the date of such shareholders' approval of the refreshed limit).

(ii) The Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all options and any other share option schemes of the Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

(iii) The Company may also grant options beyond the 10% limit by seeking shareholders' approval in a general meeting, provided that the grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. In such event, the Company shall send a circular to its shareholders containing a generic description of the specified grantees who may be granted such options, the number and terms of such options to be granted, the purpose of granting such options, an explanation as to how the terms of the options serve such purpose and the information required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, the Company must not grant any options if the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, exceed 30% of the shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(d) Granting of option to a Director, chief executive of the Company or substantial shareholder or any of their associates

No Participant shall be granted options which if exercised in full would result in the total number of shares already issued under all the options granted to him which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue, provided that if approved by shareholders in general meeting with such participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, the Company may make further grant of options to such participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of shares already issued under all the options granted to such participant which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of shares in issue.

Where options are proposed to be granted to a Director, chief executive of the Company or substantial shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If a grant of options to a substantial shareholder or an independent non-executive Director or their respective associates will result in the shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5.0 million,

then the proposed grant of options must be approved by the shareholders in a general meeting. At such general meeting, the grantee, his associates and all core connected persons of the Company must abstain from voting, unless they intend to vote against the proposed grant and provided that this intention to do so has been stated in the circular. The Company will send a circular to its shareholders containing all the information required under the GEM Listing Rules, including (i) details of the number and terms of the options (including the option period, performance targets (if any), basis of determination of subscription price and the rights attached to the shares or the option) to be granted to each substantial shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the shareholders meeting, and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of the options) to the independent shareholders as to voting; and (iii) all other information as required by the GEM Listing Rules.

In addition, any change in the terms of the option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of the Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of the Company.

No service provider sub-limit was set under the Share Option Scheme.

(e) Minimum period of holding option and performance target

Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(f) Basis for determining exercise price

The subscription price for the Shares subject to any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share.

For the purpose of determining the relevant subscription price where the shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the option, the issue price of the shares shall be deemed to be the closing price of the shares on the Listing Date for any trading day falling within the period before the shares are listed on the Stock Exchange.

(g) Time of acceptance and amount of payable upon acceptance of option

Upon acceptance of an offer for grant of option(s), the Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 21 days from the date of the grant.

(h) Period of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than ten years from the date upon which the option is deemed to be granted and accepted in accordance with the Share Option Scheme. The Board may, at its discretion, determine the minimum period for which the option has to be held before the option can be exercised.

(i) Remaining life of the Share Option Scheme and available shares for issue

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 65,000,000 Shares (representing approximately 7.16% of total number of issued shares of the Company as at the date of this report), and the remaining life of the Share Option Scheme was about 3 years and 2 months.

Prior to the Reporting Period and on 30 May 2022, the Board (including all independent non-executive Directors of the Company) resolved to grant 2,000,000 share options to Mr. Li to subscribe for a total of 2,000,000 Shares under the Share Option Scheme, at an exercise price of HK$0.22 per share. All of the options are exercisable during the period commencing from the grant date to the day immediately prior to the fourth anniversary of the grant date (both days inclusive). The grantee shall pay HK$1 upon acceptance of the options granted. The total of 2,000,000 shares to be subscribed under the options represent approximately 0.2204% of the existing issued share capital of the Company and approximately 0.2199% of the enlarged issued share capital of the Company, assuming the options are fully exercised. For details, please refer to the Company's announcement dated 1 June 2022.

During the Reporting Period, no share options were granted under the Share Option Scheme and Mr. Li has not exercised any share option. Changes in share options of the Company during the Reporting Period are set out in Note 28 to the consolidated financial statements.

Save as disclosed in Note 28 to the consolidated financial statements, as at 30 June 2023, there was no other share option granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

SHARE OPTION DEED

Prior to the Reporting Period and on 2 June 2021, the Company entered into a conditional share option deed (the "**Share Option Deed**"), pursuant to which the options have been granted to Mr. Lai on 2 August 2021. Details are as follows:

(a) Reasons for the Share Option Deed

Since Mr. Lai will only receive nominal consideration under the service agreement in relation to his appointment as an executive Director of the Company, the Company considers that the Share Option Deed shall provide incentive to Mr. Lai for discharging his duty as an executive Director.

(b) Who may join

The Share Option Deed may only be exercisable by Mr. Lai himself. Unless otherwise with prior written consent of the Company, the options shall not be assignable or transferrable by Mr. Lai and may only be exercisable by Mr. Lai himself. Any transfer or assignment of the options made to any connected person of the Company (as defined under the GEM Listing Rules) shall be subject to compliance with the applicable GEM Listing Rules. Subject to the prior written consent of the Company (which may or may not be given at the absolute discretion of the Company), the Options may be assigned or transferred in whole or in part (in whole multiples of 10,000,000 options).

(c) Total number of shares to be issued

In accordance with and subject to the terms of the Share Option Deed, the total number of shares to be issued shall not be more than 100,000,000 subscription shares.

Upon full exercise of the options, a total of 100,000,000 subscription shares will be issued, representing 11.02% of the existing issued share capital of the Company and approximately 9.93% of the issued share capital of the Company as enlarged by the issue of the subscription shares.

(d) Granting of option to a Director, chief executive of the Company or substantial shareholder or any of their associates

The grant of the Share Option Deed has complied with Rule 23.04(1) of the GEM Listing Rules and has been approved by all independent shareholders at the extraordinary general meeting on 2 August 2021.

(e) Minimum period of holding option and performance target

There is no particular performance target or minimum period of holding option that must be achieved before the options can be exercised. There is no particular provision for termination of the operation of the Share Option Deed before the end of its life save for that any options which would have not been exercised upon the expiry of the option period will be cancelled.

(f) Option period

The options to subscribe for 100,000,000 subscription shares under the Share Option Deed shall be exercisable according to the following exercise period:

(1) 40,000,000 options are exercisable during the period commencing from the date of fulfillment of conditions precedent of the Share Option Deed (the "**Grant Date**") to the day immediately prior to the fourth anniversary of the Grant Date;

(2) 30,000,000 options are exercisable during the period commencing from the first anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date; and

(3) 30,000,000 options are exercisable during the period commencing from the second anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date.

The options can only be exercised during the option period. The options will automatically lapse when Mr. Lai ceases to hold any position within the Group. Any options which would have not been exercised upon the expiry of the option period will be cancelled.

(g) Basis for determining exercise price

The subscription price for the Shares subject to the Share Option Deed shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option.

Assuming all the options are fully exercised, the subscription price shall be HK$35,000,000 in total and equivalent to HK$0.35 per subscription share, which represent (1) a premium of approximately 4.48% over the closing price of HK$0.335 per share quoted by the Stock Exchange on 2 June 2021 (i.e. the date of the Share Option Deed); (2) a premium of approximately 1.16% over the average closing price of HK$0.346 per share quoted by the Stock Exchange the last five consecutive trading days up to and including on 2 June 2021; and (3) a discount of approximately 7.89% to the closing price of HK$0.38 per share quoted by the Stock Exchange on 13 July 2021 (i.e. the latest practicable date of the related circular).

The Board considers that the subscription price is fair and reasonable, determined after arm's length negotiation between the Company and Mr. Lai, and is in the interests of the Company and the Shareholders as a whole.

The Company will observe Rule 23.03(13) of the GEM Listing Rules to ensure that any adjustments required under the Share Option Deed shall comply with Rule 23.03(13) of the GEM Listing Rules to give Mr. Lai the same proportion of the equity capital as that to which Mr. Lai was previously entitled and no adjustments should be made that would increase the aggregate intrinsic value of the outstanding options. As such, any adjustments shall be subject to confirmation by the auditors and/or the independent financial adviser to ensure that the adjustment mechanism of the subscription price and the number of shares upon exercise of the options shall be in compliance with Rule 23.03(13) of the GEM Listing Rules.

(h) Time of acceptance and amount of payable upon acceptance of option

Upon acceptance of the Share Option Deed, Mr. Lai paid HK$1.00 to the Company by way of consideration for the grant.

(i) Remaining life of the Share Option Scheme and available shares for issue

The Share Option Deed would lapse on the day immediately prior to the fourth anniversary of the grant date (i.e. 1 August 2025). Under the Share Option Deed, the total number of shares to be issued shall not be more than 100,000,000 shares, which represents approximately 11.02% of the total number of issued shares of the Company as at the date of this report, and the remaining life of the Share Option Deed was about 1 year and 10 months.

Given that the Share Option Deed would be regarded as a one-man share option scheme, the Company will not appoint a trustee for the Share Option Deed for administration of the Share Option Deed to save administration costs.

The options shall not confer any voting rights or dividend rights to the holder of the options and there will be no particular rights arising on liquidation of the Company.

During the Reporting Period, no share options were granted under the Share Option Deed and Mr. Lai has not exercised any share option.

The number of shares that may be issued in respect of share options granted under all schemes (i.e. the Share Option Scheme and Share Option Deed) during the year ended 30 June 2023 divided by the weighted average number of shares in issue for that year was nil.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for approximately 35.1% and approximately 55.5% (Previous Reporting Period: 35.2% and 51.6%) of the total revenue of the Group, respectively. The Group's purchase from the largest and the five largest suppliers accounted for approximately 38.1% and approximately 69.1% (Previous Reporting Period: 32.8% and 63.9%) of the total purchases of the Group, respectively. Among which, the largest customer was a subsidiary of a joint venture, SPV, in mainland China. Such joint venture is mainly engaged in data centre operation business in China, and owns 100% equity of a joint venture project company through its subsidiary. Such joint venture project company entered into a buildout management agreement with WNT on 1 June 2021. During the Reporting Period, the Group recognised revenue according to the progress of the buildout management agreement, and such customer became the Group's largest customer during the Reporting Period. The above joint venture was 50% owned by Lightning Cloud Limited (wholly owned by Mr. Lai, an Executive Director of the Company), and therefore constitutes a connected transaction. Save as the above mentioned, at no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

As mentioned in the Previous Reporting Period, on 25 January 2022, the Company entered into a conditional master agreement dated 25 January 2022 (the "**Agreement**") with Yaobang Group, pursuant to which the Company provided a parcel of land and buildings located in Chengdu City as pledge for the term of 36 months to assist Yaobang Group in obtaining financing from the Bank(s) of up to RMB60,000,000. On 12 April 2022, the Company held the extraordinary general meeting and resolved to approve, confirm and ratify the above agreement and the transactions contemplated thereunder. For details of the Agreement, please refer to the announcement and circular of the Company dated 25 January 2022 and 25 March 2022, respectively.

Pursuant to the Agreement, the Company had procured its subsidiary, Sichuan Greenland, to pledge the Properties to assist the Borrower or its subsidiary to obtain the financing from the Bank(s). The Loan obtained by Dongguan City Hengli Furniture Corporate Co., Ltd.* (東莞市恒利家私實業有限公司) (a subsidiary of the Borrower), was secured by, among others, the Properties and repayable within 12 months from the date of drawdown (i.e. on or about 13 May 2023).

However, due to the failure of the Borrower and its subsidiaries to repay the Loan when due, Sichuan Greenland, has received a written notice from the Bank(s) requesting Sichuan Greenland to observe and perform its obligations under the Pledge. For further details, please refer to the voluntary announcement of the Company dated 2 June 2023 in respect of the business update.

* For identification purpose only

As a result of the above, the Company has made a provision for impairment loss of approximately RMB49.8 million, based on the net book value, in respect of the Properties, including land and buildings, pledged by Sichuan Greenland located in Chengdu City.

The Group has been continuously in ongoing discussions with relevant parties such as the Borrower and the Bank on the possible solutions for the aforesaid matter to protect the interests of the Group. As of the date of this report, the Group has initiated legal proceedings in court regarding the aforementioned matter and has sought pre-litigation preservation of assets belonging to the Borrower and its subsidiaries, which were accepted by the court on 18 August 2023.

CONNECTED/RELATED PARTY TRANSACTIONS

On 2 June 2021, a conditional loan agreement was entered into between the Company as lender and the SPV as borrower, pursuant to which, the Company shall advance a loan in the aggregate sums of up to RMB100,000,000 (in HK$ equivalent) in two tranches to the borrower. The SPV is a special purpose vehicle for the purpose of the formation of a JV. It is owned as to 50% by Lightning Cloud Limited, which in turn is wholly owned by Mr. Lai, an executive Director of the Company.

The JV is principally engaged in the data centre business in the PRC and holds 100% interest in Gu'an Fu'ai through its subsidiary; and Gu'an Fu'ai has entered into a buildout management agreement with WNT on 1 June 2021. Details are set out in the announcement dated 2 June 2021, the circular dated 16 July 2021 and the announcement dated 2 August 2021 of the Company.

Since Mr. Lai is an executive Director of the Company, the following transactions completed during the Reporting Period constitute connected transactions of the Company pursuant to Chapter 20 of the GEM Listing Rules:

(1) entering into the above SPV loan agreement; and

(2) entering into the Share Option Deed (Note 28 to the consolidated financial statements)

The above matters were approved by the independent shareholders at the extraordinary general meeting held on 2 August 2021, details of which are set out in the announcements made by the Company on the said dates.

During the Previous Reporting Period, the Company used the proceeds from the placing of convertible bonds (Note 26 to the consolidated financial statements) and its own fundings to advance the first tranche of the loan amounting to RMB50.0 million to the SPV; and relevant interest has been accrued and received according to the agreement. During the Reporting Period, the interest income recognised for the above borrowings was approximately RMB3.0 million and the interests receivable as at the end of the period was approximately RMB1.6 million. During the Reporting Period, the buildout management service income from subsidiaries of the above- mentioned connected companies was approximately RMB38.9 million. For details of related party transactions, please refer to Note 35 to the consolidated financial statements.

Save as disclosed above, during the Reporting Period, the Group had not entered into any connected transaction or continuing connected transaction that is not exempted under Rule 20.71 of the GEM Listing Rules.

Remuneration to Directors described in note 12 to the Group's consolidated financial statements are continuing connected transactions exempt from the connected transaction requirements under Rule 20.93 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Group are set out in the Corporate Governance Report on pages 24 to 37 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of 30 June 2023, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

POTENTIAL COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr. Ma Gary Ming Fai ("**Mr. Ma**") is the director and Ms. Hung Fung King Margaret, Mr. Ma's spouse, is the sole shareholder of Myshowhome International Limited ("**Myshowhome International**", together with its subsidiaries, the "**Myshowhome Group**"). Myshowhome International holds 100% interest in Myshowhome (Hong Kong) Limited ("**Myshowhome HK**"), which in turn holds 100% interest in Dongguan Shangpin Furniture Co., Ltd. (東莞市尚品家具有限公司) ("**Shangpin**"). Mr. Ma confirms that Myshowhome International is engaged in investment holding and Myshowhome HK is engaged in trading business. Shangpin is a wholly foreign-owned enterprise established under the laws of the PRC on 10 July 2012 with a registered capital of HK$8 million and is principally engaged in the trading of furniture and therefore competes or may compete either directly or indirectly with the Group's business.

Mr. Lai Ningning ("**Mr. Lai**") is a director and shareholder directly interested in approximately 23.47% of the equity interest in Beijing Haokuan Network Technology Co., Ltd.* (北京皓寬網絡科技有限公司) ("**Beijing Haokuan**") and directly interested in 50% of the equity interest in Haokuan Hebei Network Technology Co., Ltd.* (皓寬河北網絡科技有限公司), both being companies established in the PRC. Mr. Lai confirms that these companies and Beijing Haokuan's non-wholly owned subsidiaries, Haokuan Network (Guangzhou) Co., Ltd.* (皓寬網絡(廣州)有限公司) and Shanghai Haokuan Cloud Network Co., Ltd.* (上海皓寬雲網絡有限公司), are engaged in, among others, the data centre business in the PRC and therefore competes or may compete either directly or indirectly with the Group's business.

* For identification purpose only

Except as disclosed above, none of the Directors, nor the controlling shareholders of the Company (if any) and any of their respective close associates has any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group during the Reporting Period and up to the date of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Directors and senior management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group during the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 17 October 2023 to Friday, 20 October 2023, both days inclusive, during which no transfer of shares of the Company will be effected. In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 16 October 2023.

AUDITOR

The Company has appointed ZHONGHUI ANDA CPA Limited as the auditor of the Company with effect from 15 June 2022 to fill the vacancy following the resignation of BDO Limited and resolved to re-appoint ZHONGHUI ANDA CPA Limited at the annual general meeting held on 9 December 2022 as the audit of the Company to hold office until the conclusion of the next annual general meeting of the Company.

Save for the aforementioned, there has been no other change in the auditors in any of the preceding three years.

By order of the Board of
Zhi Sheng Group Holdings Limited
Executive Director
Yi Cong

Hong Kong, 22 September 2023

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yi Cong (易聰), aged 59, one of the founders of Sichuan Greenland, the Chief Executive Officer and the executive Director of the Company. Mr. Yi was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. Mr. Yi joined the Group in September 1996 and is currently also a director and general manager of Sichuan Greenland. He is primarily responsible for the overall business strategies, planning and development of the Group, managing key customer relationships and overseeing sales and marketing of the Group. Mr. Yi resigned from the position of compliance officer in order to focus his efforts on the Company's business pursuits with effect from 1 April 2021. Mr. Yi remained the executive Director and Chief Executive Officer of the Company after this change. Mr. Yi graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (中國電子科技大學)) in September 1989 with a college diploma* (專科) majoring in wireless electronics. Mr. Yi was recognised by the Chengdu Chamber of Commerce for Furniture Industry* (成都市傢俱行業商會) as the "Person of the Year"* (年度風雲人物) in 2010 and an "Influential Entrepreneur in China Furniture Industry"* (影響中國行業傑出企業家) in 2012. Mr. Yi Cong's wife, Ms. Zhang Gui Hong ("**Ms. Zhang**"), is the sister of Mr. Liang Xing Jun's wife. Ms. Zhang is the sole shareholder of Brilliant Talent Global Limited, one of the substantial shareholders of the Company, which owns 116,580,000 shares of the Company. Accordingly, Mr. Yi Cong is deemed to be interested in all the shares which Ms. Zhang is interested for the purpose of Part XV of the SFO.

Mr. Liang Xing Jun (梁興軍), aged 60, was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. He is primarily responsible for the overall production management of the Group. Mr. Liang joined the Group in September 1996 and has over 26 years of experience in the furniture industry. Mr. Liang is currently the head of the production department at Sichuan Greenland. Mr. Liang graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (中國電子科技大學)) in July 1984 with a college diploma* (專科) in vacuum electronic technology* (真空電子技術). Mr. Liang Xing Jun's wife is the sister of Mr. Yi Cong's wife.

Mr. Ma Gary Ming Fai (馬明輝), aged 59, was appointed as an executive Director and compliance officer on 1 April 2021. He is primarily responsible for the finance and compliance of the Group. Mr. Ma was the chairman of the Board and non-executive Director of the Company in January 2017 when the Company listed on GEM of the Stock Exchange. In September 2018, he resigned as the chairman of the Board and non-executive Director of the Company in order to focus his efforts on his other business pursuits. In January 2020, when the Company acquired the data centre business, Mr. Ma was appointed as representative to the board of the data centre business that oversees and reviews the operations of the data centre business and would report to the Board if required. Mr. Ma graduated from the University of Calgary, Canada in June 1985 with a Bachelor of Commerce degree. He is a member of the Institute of Chartered Accountants of Ontario in Canada. Mr. Ma is the sole shareholder of Sun Universal Limited, one of the substantial shareholders of the Company which beneficially owns 245,300,400 shares or approximately 27.04% of the shares of the Company.

* For identification purpose only

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Ningning (賴寧寧), aged 46, was appointed as an executive Director on 2 August 2021. Mr. Lai holds a bachelor degree in computer science issued by Beijing Union University. Mr. Lai has worked for years with 21Vianet Group Inc. until 2017 when he was appointed as the general manager of the network department and senior vice president of 21Vianet Group Inc. and became shareholder of Beijing Haokuan Network Technology Co., Ltd.* (北京皓寬網絡科技有限公司) in 2017. Mr. Lai has years of experience and expertise in the data centre industry. Pursuant to the Share Option Deed, the Company has conditionally agreed to grant the options to Mr. Lai, such that Mr. Lai shall be entitled to require the Company to allot and issue up to a maximum of 100,000,000 subscription shares at the subscription price. Upon full exercise of the options, he will own 11.02% of the existing issued share capital of the Company and approximately 9.93% of the issued share capital of the Company as enlarged by the issue of the subscription shares. During the Reporting Period, Mr. Lai did not exercise any options.

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang (羅國強), aged 52, was appointed as a non-executive Director on 28 September 2018. Mr. Luo worked as a credit department officer during July 1991 to August 2003 before resigning from the Qiaotou branch of Industrial and Commercial Bank of China in Dongguan (中國工商銀行東莞橋頭支行). Since August 2003, Mr. Luo was appointed as a financial manager in a furniture company at Dongguan, mainly responsible for finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit (陳永傑), aged 51, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Chan obtained a Bachelor of Commerce degree from Monash University in February 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.

From March 2016 to August 2019, Mr. Chan was an executive director of Royale Home Holdings Limited (Stock Code: 1198, formerly known as Royale Furniture Holdings Limited, "**Royale Home**"). The principal business activities of Royale Home include manufacturing, trading and retailing home furniture in the PRC. Mr. Chan has been serving as a chief financial officer of Royale Home since August 2019.

Ms. Cao Shao Mu (曹少慕), aged 62, was appointed as the independent non-executive Director of the Company on 17 December 2016. She was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Ms. Cao completed a selected on-job executive master of business administration course* (在職經理工商管理碩士(EMBA)精選課程研修班) in November 2004 at Yiyuan College, Sun Yat-Sen University. Ms. Cao worked in the sales department of Guangzhou Pepsi-Cola Beverage Co., Ltd from 2001 to 2014 and retired holding the position of senior district development manager.

* For identification purpose only

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Saint Chi Sainti (李聖智), aged 63, was appointed as an independent non-executive Director of the Company, and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 1 June 2022. He studied Electronics Engineering in Hong Kong Polytechnic and started his career as customer services engineer in the early 1980s. Mr. Li is a seasoned business executive with proven track record of building, operating and leasing multiple multi-tenants and hyperscale data centres with world-known data centre players such as Global Switch, Equinix and AT&T. He has over 30 years of sales & marketing, product management, business development and general management experience, with which over 15 years of experience on the ground based in Mainland China.

SENIOR MANAGEMENT

Mr. Chen Fei (陳飛), aged 45, is the vice general manager responsible for the sales function of the Group and the general manager of the Chengdu sales office. He joined the Group in June 1998 as a sales staff and was promoted in December 2011 as the sales director responsible for, inter alia, managing the sales operation of Sichuan Greenland. Since June 2013, Mr. Chen has been the vice general manager responsible for overseeing the sales department. From June 2013 to November 2014, he also acted as the general manager of Chongqing Branch Office of the Group.

In December 2014, he was re-designated as the general manager of Sichuan Greenland. Mr. Chen received his college diploma* (專科) in international trade from Sichuan Radio and TV University (四川廣播電視大學) in July 1998 and later obtained a bachelor degree in business administration from China Central Radio and TV University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in January 2012.

Ms. He Lu Ming (何鹿鳴), aged 46, is the head of the administration department of the Group. Ms. He received her master degree from Communist Party of China of Sichuan Province College* (中共四川省委黨校) majoring in regional economics in June 2011. She joined the Group in May 2002 and acted as the administration manager responsible for human resources, administrative and back-office matters. Since October 2010, Ms. He has been in charge of the administration department of the Group and has been the chairman of the labour union of the Group since October 2015.

Ms. Leung Yuk Yi (梁玉宜), aged 53, was the company secretary of the Company during the Reporting Period until 31 May 2023. She was responsible for overall company secretarial matters of the Group. She obtained her bachelor of business degree majoring in marketing in July 1993 and later a master of practising accounting degree in October 1998 from Monash University in Australia. Ms. Leung was admitted as a member of the Hong Kong Institute of Certified Public Accountants in May 2003. She was a senior manager at the tax department of Ernst & Young from November 1999 to November 2013. Ms. Leung resigned as the company secretary of the Company and ceased to act as the general company secretary of the Group due to her personal engagement on 31 May 2023.

* For identification purpose only

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yuen Lai Sheung (袁麗嫦), aged 54, was appointed as the company secretary of the Company on 31 May 2023. She is responsible for overall company secretarial matters of the Group. She holds a Bachelor's Degree of Accounting from Monash University in Australia and she is currently a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

ZHONGHUI

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZHI SHENG GROUP HOLDINGS LIMITED
智昇集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhi Sheng Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 135, which comprise the consolidated statement of financial position as at 30 June 2023, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 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 judgment, 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.

Loan receivables and trade, lease and other receivables

Refer to Note 19 and Note 22 to the consolidated financial statements

The Group tested the amount of loan receivables and trade, lease and other receivables for impairment. This impairment test is significant to our audit because the balance of loan receivables and trade, lease and other receivables of RMB50,000,000 and RMB39,304,000 respectively as at 30 June 2023 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to customers;

— Assessing the Group's relationship and transaction history with the customers;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the customers;

— Checking subsequent settlements from the customers;

— Assessing the value of the collateral for the debts; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for loan receivables and trade, lease and other receivables is supported by the available evidence.

Impairment assessment of goodwill and other non-financial assets attributable to the cash generating units ("CGUs")

Refer to Note 15,16,17 and 18 to the consolidated financial statements

As at 30 June 2023, the Group had goodwill of approximately RMB23,109,000 and other non-financial assets attributable to the CGUs of approximately RMB5,982,000 in which property, plant and equipment of approximately RMB2,656,000 and right-of-use assets of approximately RMB3,326,000 allocated to CGUs of office furniture and data centre.

The Group is required to annually test the amount of goodwill and other non-financial assets attributable to the CGUs for impairment. This annual impairment test is significant to our audit because the balance of goodwill and other non-financial assets attributable to the CGUs of RMB29,091,000 as at 30 June 2023 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the identification of the related CGUs;

— Assessing the arithmetical accuracy of the value-in-use and fair value less costs of disposal calculations;

— Comparing the actual cash flows with the cash flow projections;

— Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

— Obtaining the external valuation reports and meeting with the external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; and

— Checking input data to supporting evidence.

We consider that the Group's impairment assessment of goodwill and other non-financial assets attributable to the CGUs is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's 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 DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement 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.

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. We report our opinion solely to you, as a body, 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

https://www.hkicpa.org.hk/en/Standards-setting/Standards/Ourviews/auditre

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374

Hong Kong, 22 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Revenue	*7*	**110,831**	172,511
Cost of sales		**(100,007)**	(162,795)
Gross profit		**10,824**	9,716
Other income, net	*8*	**5,040**	6,089
Selling and distribution expenses		**(6,418)**	(11,883)
Administrative and other expenses		**(20,250)**	(57,057)
Impairment loss on assets	*11*	**(62,680)**	(12,652)
Loss from operations		**(73,484)**	(65,787)
Finance costs	*9*	**(9,880)**	(9,389)
Loss before tax		**(83,364)**	(75,176)
Income tax credit	*10*	**4,168**	1,438
Loss for the year/period attributable to the owners of the Company	*11*	**(79,196)**	(73,738)
Other comprehensive expense after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(4,980)**	(2,019)
Total comprehensive expense for the year/period attributable to the owners of the Company		**(84,176)**	(75,757)
Loss per share			
Basic and diluted (RMB cents)	*14*	**(8.73)**	(8.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,656**	42,955
Right-of-use assets	16	**3,326**	19,841
Goodwill	17	**23,109**	25,197
Loan receivables	19	**–**	50,000
		29,091	137,993
Current assets			
Inventories	20	**10,338**	10,751
Contract assets	21	**11,587**	30,193
Trade, lease and other receivables	22	**39,304**	61,937
Loan receivables	19	**50,000**	–
Cash and cash equivalents	23	**33,761**	28,936
		144,990	131,817
Current liabilities			
Contract liabilities	21	**3,971**	33,641
Trade and other payables	24	**39,614**	30,542
Lease liabilities	25	**3,739**	3,555
Convertible bonds	26	**77,899**	–
Tax payable		**1,509**	974
		126,732	68,712
Net current assets		**18,258**	63,105
Total assets less current liabilities		**47,349**	201,098
Non-current liabilities			
Lease liabilities	25	**–**	3,719
Convertible bonds	26	**–**	64,835
Deferred tax liabilities	27	**–**	4,623
		–	73,177
NET ASSETS		**47,349**	127,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*29*	**8,016**	8,016
Reserves	*31*	**39,333**	119,905
TOTAL EQUITY		**47,349**	127,921

The consolidated financial statements on pages 66 to 135 were approved and authorised for issue by the Board of Directors on 22 September 2023 and are signed on its behalf by:

Yi Cong
Director

Ma Gary Ming Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Convertible bonds equity reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2021	8,016	187,196	7,337	–	(11,131)	4,498	(9,403)	(14,290)	172,223
Loss for the period	–	–	–	–	–	–	–	(73,738)	(73,738)
Other comprehensive expense:									
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	(2,019)	–	(2,019)
Total comprehensive expense for the period	–	–	–	–	–	–	(2,019)	(73,738)	(75,757)
Recognition of equity-settled share-based payment expense (Note 28)	–	–	–	16,575	–	–	–	–	16,575
Issue of convertible bonds (Note 26)	–	–	14,880	–	–	–	–	–	14,880
Transfer to statutory reserves	–	–	–	–	–	110	–	(110)	–
At 30 June 2022	8,016	187,196	22,217	16,575	(11,131)	4,608	(11,422)	(88,138)	127,921
At 1 July 2022	**8,016**	**187,196**	**22,217**	**16,575**	**(11,131)**	**4,608**	**(11,422)**	**(88,138)**	**127,921**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(79,196)**	**(79,196)**
Other comprehensive expense:									
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(4,980)**	**–**	**(4,980)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,980)**	**(79,196)**	**(84,176)**
Recognition of equity-settled share-based payment expense (Note 28)	**–**	**–**	**–**	**3,604**	**–**	**–**	**–**	**–**	**3,604**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**150**	**–**	**(150)**	**–**
At 30 June 2023	**8,016**	**187,196**	**22,217**	**20,179**	**(11,131)**	**4,758**	**(16,402)**	**(167,484)**	**47,349**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Cash flows from operating activities		
Loss before tax	**(83,364)**	(75,176)
Adjustments for:		
Amortisation of intangible asset	**–**	8,251
Bank interest income	**(124)**	(141)
Depreciation of right-of-use assets	**3,706**	17,772
Depreciation of property, plant and equipment	**4,153**	6,885
Equity-settled share-based payments	**3,604**	16,575
Finance costs	**9,880**	9,389
Impairment loss on goodwill	**2,088**	5,630
Impairment loss on property, plant and equipment	**36,887**	–
Impairment loss on right-of-use assets	**12,863**	–
Impairment loss on trade receivables and other receivables	**10,842**	7,022
Interest income arising from unwinding contract assets with significant financing component	**(131)**	(249)
Interest income from loan receivables	**(3,000)**	(2,693)
Interest income from other receivables	**(1,174)**	(3,012)
Net loss on written off and disposal of property, plant and equipment	**59**	76
Share-based payment arising from issue of convertible bonds	**–**	13,808
Write-down of inventories to net realisable value	**2,070**	4,924
Operating profit before working capital changes	**(1,641)**	9,061
Change in inventories	**(1,657)**	(8)
Change in contract assets	**18,606**	(27,525)
Change in trade, lease and other receivables	**(706)**	5,351
Change in contract liabilities	**(29,670)**	30,759
Change in trade and other payables	**9,072**	9,386
Cash (used in)/generated from operations	**(5,996)**	27,024
Income tax paid	**(17)**	(36)
Bank interest received	**124**	141
Net cash (used in)/generated from operating activities	**(5,889)**	27,129

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Cash flows from investing activities		
Change in loan receivables	–	(50,000)
Purchase of debt instruments at amortised cost	(21,000)	(24,000)
Redemption of debt instruments at amortised cost	35,000	10,000
Interest received	2,802	4,464
Purchases of property, plant and equipment	(811)	(3,095)
Proceeds from disposal of property, plant and equipment	11	78
Net cash generated from/(used in) investing activities	16,002	(62,553)
Cash flows from financing activities		
Repayment of bank borrowings	–	(30,000)
Repayment of lease liabilities	(3,589)	(17,675)
Interests paid	(2,595)	(2,591)
Issue of convertible bond	–	50,087
Net cash used in financing activities	(6,184)	(179)
Net increase/(decrease) in cash and cash equivalents	3,929	(35,603)
Effect of foreign exchange rate changes	896	(13)
Cash and cash equivalents at beginning of year/period	28,936	64,552
Cash and cash equivalents at end of year/period	33,761	28,936
Analysis of cash and cash equivalents		
Bank and cash balances	33,761	28,936

1. GENERAL INFORMATION

Zhi Sheng Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 4 March 2016. The address of its registered office is Windward 3, Regatta Office Park, P.O. BOX 1350 Grand Cayman KY1-1108, the Cayman Islands. Its principal place of business is at Room 747, 7/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Hong Kong and its headquarter is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in manufacture and sales of furniture products and data centre business in the PRC. Details of the principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 January 2017.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting period beginning on 1 July 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRS would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the eighteen months ended 30 June 2022, the Company changed its financial year end date from 31 December to 30 June in order to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. The current period consolidated financial statements cover a twelve months period from 1 July 2022 to 30 June 2023 and the comparative consolidated financial statements cover an eighteen months period from 1 January 2021 to 30 June 2022. The comparative amounts are therefore not entirely comparable.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumption and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgements and area where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the Company's presentation currency. The functional currency of the Company is Hong Kong dollars ("**HK$**"). The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Motor vehicles	10–20%
Plant and machinery	10–20%
Furniture and office equipment	10–20%
Leasehold improvements	20% or the lease term, whichever is shorter
Buildings	3.3%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Leasehold land	Over the lease term
Office premises	50%
Server racks	20%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as lessor

Operating lease

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("**CGUs**") that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is first allocated 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 on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal ("**FVLCD**") (if measurable) or its value in use ("VIU") (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit loss ("**ECL**") on loan receivables, lease receivables, contract assets, trade receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for lease receivables, contract assets and trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group calculates the lifetime ECLs on certain trade receivables by establishing a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. The Group calculated the lifetime ECLs on contract assets, certain trade receivables and lease receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment.

For loan receivables and other financial assets at amortised cost, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past, unless the Group has reasonable and supportable information demonstrates otherwise.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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. 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.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit impaired financial assets interest income is calculated based on the gross carrying amount.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible bonds issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or 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.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Sales of furniture products

Customers obtain control of the furniture products when the goods are delivered to, installed and have been accepted by customers according to the contract terms. Revenue is thus recognised at the point in time when the customers accepted the furniture products. There is generally only one performance obligation and the considerations include no variable amount. Invoices are usually payable within 30 days or up to 180 days.

Renting server racks

The Group rents server racks in data centre to the customers.

Rental income is recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Information technology management service

Revenue from information technology management service is recognised over time when the agreed IT service has been performed by the Group.

Internet access connection services

The Group sets up internet access connection for the customers. Such services are transferred over time and revenue is recognised when the customers simultaneously receive and consume the benefits from the Group's performance of providing such services.

Data centre operating and security service

The Group provides data centre operating and security service outsourced by the customer. Such services are transferred over time and revenue is recognised when the customers simultaneously receive and consume the benefits from the Group's performance of providing such services.

Buildout management service

The Group provides buildout management service to the customers. When the progress towards complete satisfaction of the performance obligations of a buildout management service can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a buildout management service contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets and 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. 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.

Contract asset is recognised when the customers retain quality assurance deposits ("**QADs**") to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the end of quality assurance period.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contractual liabilities are recognised as revenue when the Group performs under the contract.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain employees and directors. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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 its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and other intangible assets except goodwill, inventories and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Control over 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("Beijing Wannuotong")

Beijing Wannuotong is mainly engaged in the data centre business in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

Certain structured contracts (the "**Structured Contracts**") were effectuated among ITO Express Limited, 北京萬諾馳科技有限公司 (Beijing Wannuochi Technology Company Limited) ("Beijing Wannuochi"), Beijing Wannuotong, and the registered owner of Beijing Wannuotong, pursuant to which the entire economic benefits and the risks of the business of Beijing Wannuotong flow into Beijing Wannuochi and enable the Beijing Wannuochi to gain 100% effective control over the Beijing Wannuotong.

The Company considers that it controls Beijing Wannuotong, notwithstanding the fact that it holds 50% equity interest in Beijing Wannuotong, as it has power over the financial and operating policies of Beijing Wannuotong and receives substantially all of the economic benefits from the business activities of Beijing Wannuotong through the Structured Contracts. Accordingly, Beijing Wannuotong is accounted for as a subsidiary of the Company for accounting purpose.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

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, are discussed below.

(a) Allowance on impairment of financial assets

At each reporting date, the Group uses a provision matrix to calculate ECLs for certain trade receivables. The provision rate is initially based on the Group's historical observed default rates. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The Group calculated the lifetime ECLs on contract assets, certain trade receivables and lease receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for expected credit losses individually.

At each reporting date, the Group assesses other financial asset at amortised cost whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(b) Impairment of goodwill, right-of-use assets and property, plant and equipment

Intangible asset with finite useful life, right-of-use assets and property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are required to be tested annually for impairment.

The recoverable amounts of the CGUs have been determined based on VIU or FVLCD, whichever is higher. The VIU calculations require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill and non-financial assets within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD may involve the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement. Details in impairment assessment of CGUs are set out in Note 18 to the consolidated financial statements.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Revenue and profit recognition

The Group estimated the percentage of completion of the buildout management service contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

As the Group's revenue and expenses are mainly in RMB and most of the Group's assets and liabilities are denominated in RMB, which is the functional currency of the Company's primary subsidiaries, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's credit risk is primarily attributable to its loan receivables, contract assets, trade, lease and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of loan receivables, contract assets, trade, lease and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 14% (30 June 2022: 11%) of the total trade receivables was due from the Group's largest customer.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from loan receivables, contract assets, trade receivables and lease receivables are set out in Notes 19, 21, 22(a) and 22(b).

Cash at banks are deposits in bank with sound credit rating. Given their high credit rating, the Group does not expect to have high credit risk in this aspect.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	Between one and two years RMB'000
At 30 June 2023				
Trade and other payables	**39,378**	**39,378**	**39,378**	**–**
Lease liabilities	**3,739**	**3,877**	**3,877**	**–**
Convertible bonds	**77,899**	**84,253**	**84,253**	**–**
	121,016	**127,508**	**127,508**	**–**
At 30 June 2022				
Trade and other payables	29,497	29,497	29,497	–
Lease liabilities	7,274	7,794	3,937	3,857
Convertible bonds	64,835	79,840	2,130	77,710
	101,606	117,131	35,564	81,567

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)		
Trade, lease and other receivables	**9,564**	35,563
Loan receivables	**50,000**	50,000
Cash and cash equivalents	**33,761**	28,936
	93,325	114,499
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	**39,378**	29,497
Lease liabilities	**3,739**	7,274
Convertible bonds	**77,899**	64,835
	121,016	101,606

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their fair values.

6. SEGMENT INFORMATION

The operating segments are determined with reference to the reports and financial information reviewed by the Company's executive directors who are responsible for financial and accounting matters (the "Chief Operating Decision Makers") for the purpose of assessment of performance and resource allocation.

For the year ended 30 June 2023 and period ended 30 June 2022, the Group has three reportable segments, which are manufacture and sale of furniture products, data centre business and buildout management service. The following summarises the operation of each reportable segment of the Group:

— Furniture segment — manufacture and sale of furniture products in the PRC;

— Data centre segment — data centre business in the PRC and provision of information technology management service in Hong Kong; and

— Buildout management service segment — provide engineering and management services in respect of the buildout works in the PRC.

6. SEGMENT INFORMATION (CONTINUED)

(a) Reportable segments revenue and results

	Furniture		Data Centre		Buildout management service		Total	
	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000	**1/7/2022 to 30/6/2023 RMB'000**	1/1/2021 to 30/6/2022 RMB'000	**1/7/2022 to 30/6/2023 RMB'000**	1/1/2021 to 30/6/2022 RMB'000	**1/7/2022 to 30/6/2023 RMB'000**	1/1/2021 to 30/6/2022 RMB'000
Segment revenue								
Sale of furniture products	**48,255**	76,767	**–**	–	**–**	–	**48,255**	76,767
Information technology management service	**–**	–	**1,607**	3,276	**–**	–	**1,607**	3,276
Internet access connection service	**–**	–	**279**	680	**–**	–	**279**	680
Data centre operating and security service	**–**	–	**85**	–	**–**	–	**85**	–
Rental of server racks	**–**	–	**21,677**	31,016	**–**	–	**21,677**	31,016
Buildout management service	**–**	–	**–**	–	**38,928**	60,772	**38,928**	60,772
	48,255	76,767	**23,648**	34,972	**38,928**	60,772	**110,831**	172,511
Segment results	**(69,451)**	(26,387)	**(1,334)**	(12,525)	**920**	3,380	**(69,865)**	(35,532)
Unallocated expenses							**(7,070)**	(34,774)
Other income							**3,069**	2,963
Interest expense of convertible bonds							**(9,498)**	(7,833)
Loss before tax							**(83,364)**	(75,176)

The Group had no inter-segment transactions during the year ended 30 June 2023 and period ended 30 June 2022.

Unallocated expenses comprised mainly of the share-based payment arising from issue of convertible bonds, the equity-settled share-based payments and the expenses of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

6. SEGMENT INFORMATION (CONTINUED)

(b) Reportable segments assets and liabilities

	Furniture		Data Centre		Buildout management service		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**48,984**	116,875	**57,849**	71,364	**10,000**	28,262	**116,833**	216,501
Loan receivables							**50,000**	50,000
Cash and cash equivalents							**5,485**	1,721
Unallocated corporate assets							**1,763**	1,588
							174,081	269,810
Segment liabilities	**(13,596)**	(16,706)	**(30,696)**	(25,760)	**(1,645)**	(32,455)	**(45,937)**	(74,921)
Convertible bonds							**(77,899)**	(64,835)
Unallocated corporate liabilities							**(2,896)**	(2,133)
							(126,732)	(141,889)

Segment assets exclude loan receivables and cash and cash equivalents which are held as general working capital of the Group as a whole and unallocated corporate assets representing corporate assets of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

Segment liabilities exclude convertible bonds and unallocated corporate liabilities representing the liabilities of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Furniture		Data Centre		Buildout management service		Unallocated		Total	
	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Bank interest income	2	4	33	137	18	–	71	–	124	141
Interest income from other receivables	778	1,337	396	1,675	–	–	–	–	1,174	3,012
Interest income from loan receivables	–	–	–	–	–	–	3,000	2,693	3,000	2,693
Interest income arising from unwinding contract assets with significant financing component	131	249	–	–	–	–	–	–	131	249
Interest expense on bank borrowing	–	67	–	–	–	–	–	–	–	67
Interest expense on lease liabilities	1	30	381	1,459	–	–	–	–	382	1,489
Interest expense on convertible bonds	–	–	–	–	–	–	9,498	7,833	9,498	7,833
Amortisation of intangible asset	–	–	–	8,251	–	–	–	–	–	8,251
Depreciation of right-of-use assets	341	1,034	3,365	16,738	–	–	–	–	3,706	17,772
Depreciation of property, plant and equipment	4,153	6,885	–	–	–	–	–	–	4,153	6,885
Loss on written off and disposal of property, plant and equipment	67	76	–	–	–	–	–	–	67	76
Gain on disposal of property, plant and equipment	8	–	–	–	–	–	–	–	8	–
Impairment loss on property, plant and equipment	36,887	–	–	–	–	–	–	–	36,887	–
Impairment loss on right-of-use assets	12,863	–	–	–	–	–	–	–	12,863	–
Impairment loss on trade and other receivables	10,163	6,941	679	81	–	–	–	–	10,842	7,022
Impairment loss on goodwill	–	–	2,088	5,630	–	–	–	–	2,088	5,630
Additions to property, plant and equipment	811	3,095	–	–	–	–	–	–	811	3,095
Additions to right-of-use assets	–	–	54	–	–	–	–	–	54	–

6. SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

The Company is an investment holding company incorporated in the Cayman Islands and the principal place of the Group's operations is the PRC. Accordingly, the management determines the Group is domiciled in the PRC.

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Revenue from external customers		
PRC	**110,778**	170,197
Hong Kong	**53**	2,314
	110,831	172,511

The geographical location of revenue allocated is based on the location at which the goods were delivered and the service were rendered.

No geographical location of non-current assets is presented as all of the Group's non-current assets are physically based in the PRC.

(e) Information about major customer

The Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Group's revenue. During the period/year, revenue derived from the customer from furniture segment is as follows:

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Customer A (Buildout management service)	**38,928**	60,772

7. REVENUE

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Revenue from contracts with customer		
Sale of furniture products	48,255	76,767
Information technology management service	1,607	3,276
Internet access connection service	279	680
Data centre operating and security service	85	–
Buildout management service	38,928	60,772
	89,154	141,495
Revenue from other sources		
Rental of server racks	21,677	31,016
	110,831	172,511

Disaggregation of revenue from contract with customers

The Group's revenue from contracts with customer disaggregated by the timing of revenue recognition is as follows:

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Timing of revenue recognition		
At a point in time	48,255	76,767
Overtime	40,899	64,728
	89,154	141,495

7. REVENUE (CONTINUED)

Revenue expected to be recognised in the future arising from contract in existence at the reporting date

Operating leases

The Group sub-leases its server racks and classifies these sub-leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be recovered after the reporting date.

At the end of the year/period	2023 RMB'000	2022 RMB'000
Year 1	6,766	15,709
Year 2	1,908	6,540
Year 3	–	1,908
	8,674	24,157

8. OTHER INCOME, NET

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Bank interest income	124	141
Exchange gain/(loss), net	372	(139)
Interest income from loan receivables	3,000	2,693
Interest income from other receivables	1,174	3,012
Interest income arising from unwinding contract assets with significant financing component	131	249
Subsidy income	13	9
Penalty	–	(787)
Gain on disposal of property, plant and equipment	8	–
Others	218	911
	5,040	6,089

9. FINANCE COSTS

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Interest expense on bank borrowing	–	67
Interest expense on lease liabilities	382	1,489
Interest expense on convertible bonds	9,498	7,833
	9,880	9,389

10. INCOME TAX CREDIT

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Current tax		
Provision for the year/period	455	983
Deferred tax (Note 27)	(4,623)	(2,421)
	(4,168)	(1,438)

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax.

Hong Kong Profits Tax for the year ended 30 June 2023 and period ended 30 June 2022 has been provided under two-tiered profit tax rate regime, the first HK$2 million of estimated assessable profits is provided at the rate of 8.25%, and estimated assessable profits above HK$2 million is provided at the rate of 16.5%.

Provision for the enterprise income tax in the PRC is calculated using the a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax laws in the PRC.

In accordance with the "Notice on implementing Generalised Preferential Tax Treatment for Small Low profit Enterprises" , the Group's PRC entities which are qualified as small and thin profit enterprises with an annual taxable profits of RMB1 million or less entitled a tax concession for 25% of its taxable profits and at the tax rate of 20%.

10. INCOME TAX CREDIT (CONTINUED)

The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Loss before tax	**(83,364)**	(75,176)
Tax calculated at tax rate of 25%	**(20,841)**	(18,794)
Tax effect of expenses not deductible for tax purposes	**4,552**	13,245
Tax effect of deductible temporary differences not recognised	**10,647**	1,755
Tax effect of utilisation of tax losses not previously recognised	**–**	(313)
Tax effect of tax losses not recognised	**1,904**	3,331
Tax concession	**(287)**	(376)
Effect of different tax rates of subsidiaries	**(143)**	(286)
Income tax credit	**(4,168)**	(1,438)

As at 30 June 2023, certain subsidiaries of the Group have unused tax losses of RMB24,151,000 (30 June 2022: RMB23,977,000) available to offset against future profits that will be expired in five years. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of profit streams in the future.

11. LOSS FOR THE YEAR/PERIOD

The Group's loss for the year/period has been arrived at after charging/(crediting) the following:

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Auditor's remuneration	**638**	597
Cost of inventories recognised as expense, including	**43,764**	70,594
— Write-down of inventories to net realisable value	**2,070**	4,924
Depreciation of right-of-use assets	**3,706**	17,772
Depreciation of property, plant and equipment	**4,153**	6,885
Amortisation of intangible asset	**–**	8,251
Loss on written off and disposal of property, plant and equipment	**67**	76
Gain on disposal of property, plant and equipment	**(8)**	–
Impairment loss on assets		
— goodwill	**2,088**	5,630
— property, plant and equipment	**36,887**	–
— right-of-use assets	**12,863**	–
— trade receivables and other receivables	**10,842**	7,022
	62,680	12,652
Share-based payment arising from issue of convertible bonds	**–**	13,808
Staff costs (including directors' emoluments)		
— Salaries, bonus and allowances	**11,607**	17,456
— Retirement benefits scheme contributions	**3,132**	4,299
— Equity-settled share-based payments	**3,604**	16,546
Total staff costs (including directors' emoluments)	**18,343**	38,301

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration is disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits in kinds RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
For the year ended 30 June 2023					
Executive directors					
Mr. Yi Cong	–	480	83	–	563
Mr. Liang Xing Jun	–	82	25	–	107
Mr. Ma Gary Ming Fai (note ii)	106	–	–	–	106
Mr. Lai Ningning ("Mr. Lai") (Note iii)	–	–	–	3,604	3,604
Non-executive director					
Mr. Luo Guoqiang	106	–	–	–	106
Independent non-executive directors					
Mr. Chan Wing Kit	106	–	–	–	106
Ms. Cao Shao Mu	106	–	–	–	106
Mr. Li Saint Chi Sainti ("Mr. Li") (Note iv)	–	–	–	–	–
	424	562	108	3,604	4,698

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

	Fees RMB'000	Salaries, allowances and benefits in kinds RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
For the period ended 30 June 2022					
Executive directors					
Mr. Yi Cong	–	720	103	–	823
Mr. Liang Xing Jun	–	106	32	–	138
Mr. Ma Gary Ming Fai (note ii)	124	–	–	–	124
Mr. Lai (Note iii)	–	–	–	16,348	16,348
Non-executive director					
Mr. Luo Guoqiang	149	–	–	–	149
Independent non-executive directors					
Mr. Chan Wing Kit	149	–	–	–	149
Ms. Cao Shao Mu	149	–	–	–	149
Mr. Li (Note iv)	–	–	–	198	198
Mr. Kwok Sui Hung (Note v)	141	–	–	–	141
	712	826	135	16,546	18,219

Notes:

(i) Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(ii) Mr. Ma Gary Ming Fai has appointed as an executive director of the Company on 1 April 2021.

(iii) Mr. Lai has appointed as an executive director of the Company on 2 August 2021.

(iv) Mr. Li has appointed as an independent non-executive director of the Company on 1 June 2022.

(v) Mr. Kwok Sui Hung has resigned as an independent non-executive director of the Company on 1 June 2022.

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals consist of 2 directors of the Company for the year ended 30 June 2023 (period ended 30 June 2022: 2 directors). Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 highest paid individuals for the year ended 30 June 2023 (period ended 30 June 2022: 3) are as follows:

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Salaries, allowances and benefits in kind	**569**	1,198
Retirement benefits scheme contributions	**765**	405
	1,334	1,603

Their emoluments were within the following band:

	1/7/2022 to 30/6/2023 Number of individual	1/1/2021 to 30/6/2022 Number of individual
Nil to HK$1,000,000	**3**	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 30 June 2023 (period ended 30 June 2022: nil).

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

(c) Senior management

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	1/7/2022 to 30/6/2023 Number of individual	1/1/2021 to 30/6/2022 Number of individual
Nil to HK$1,000,000	**3**	3

13. DIVIDENDS

No dividend has been paid or declared during the year ended 30 June 2023 and period ended 30 June 2022 nor has any dividend been declared since the end of the reporting period.

14. LOSS PER SHARE

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Loss		
Loss for the year/period attributable to owners of the Company	**79,196**	73,738
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**907,333,333**	907,333,333

The effects of all potential ordinary shares are anti-dilutive for the year ended 30 June 2023 and period ended 30 June 2022.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
COST						
At 1 January 2021	570	6,496	580	4,661	55,270	67,577
Additions	1,453	1,551	91	–	–	3,095
Disposals	(1,282)	(17)	(7)	–	–	(1,306)
At 30 June 2022 and 1 July 2022	741	8,030	664	4,661	55,270	69,366
Additions	–	754	57	–	–	811
Disposals	(106)	(1,317)	(126)	–	–	(1,549)
At 30 June 2023	635	7,467	595	4,661	55,270	68,628
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS						
At 1 January 2021	367	3,479	447	2,796	13,589	20,678
Charge for the period	865	727	31	1,865	3,397	6,885
Eliminated on disposals	(1,132)	(14)	(6)	–	–	(1,152)
At 30 June 2022 and 1 July 2022	100	4,192	472	4,661	16,986	26,411
Charge for the year	255	2,479	22	–	1,397	4,153
Impairment for the year	–	–	–	–	36,887	36,887
Eliminated on disposals	(103)	(1,251)	(125)	–	–	(1,479)
At 30 June 2023	252	5,420	369	4,661	55,270	65,972
CARRYING AMOUNTS						
At 30 June 2023	383	2,047	226	–	–	2,656
At 30 June 2022	641	3,838	192	–	38,284	42,955

As at 30 June 2023, the Group's fully impaired buildings of RMB36,887,000 is pledged to secure the independent third party's borrowing (30 June 2022: RMB38,284,000).

16. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2023 RMB'000	2022 RMB'000
Right-of-use assets		
— Leasehold land	**–**	13,242
— Office premises	**45**	36
— Server racks	**3,281**	6,563
	3,326	19,841
Lease commitments of short-term leases	**8,458**	–
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Within one year	**3,877**	3,937
— Between one and two years	**–**	3,857
	3,877	7,794

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Year/period ended:		
Depreciation charge of right-of-use assets		
— Leasehold land	**341**	512
— Office premises	**84**	1,127
— Warehouse	**–**	17
— Server racks	**3,281**	16,116
	3,706	17,772
Lease interests	**382**	1,489
Expenses related to short-term leases	**11,887**	45
Impairment loss on right-of-use asset	**12,863**	–
Total cash outflow for leases	**15,858**	19,209
Additions to right-of-use assets	**54**	–

16. RIGHT-OF-USE ASSETS (CONTINUED)

Disclosures of lease-related items: (continued)

As at 30 June 2023, the Group's fully impaired leasehold land of RMB12,863,000 is pledged to secure the independent third party's borrowing (30 June 2022: RMB13,242,000).

The Group's right-of-use assets comprise of leasehold interests in a land in the PRC and held under long-term lease.

The Group leases various office premises, warehouse and server racks. Lease agreements are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

17. GOODWILL

	RMB'000
COST	
At 1 January 2021	–
Acquired through business combination	30,827
At 30 June 2022, 1 July 2022 and 30 June 2023	30,827
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2021	–
Impairment loss	5,630
At 30 June 2022 and 1 July 2022	5,630
Impairment loss	2,088
At 30 June 2023	7,718
CARRYING AMOUNTS	
At 30 June 2023	23,109
At 30 June 2022	25,197

18. IMPAIRMENT TESTING FOR CGUS

Furniture segment suffered from operating loss during the year ended 30 June 2023 and period ended 30 June 2022 which is an impairment indicator for impairment testing for its CGU ("Furniture CGU"). Goodwill arising from acquisition of Polyqueue Limited is allocated to data centre CGU ("Data Centre CGU") for impairment testing.

During the year ended 30 June 2023 and period ended 30 June 2022, the Group's management has engaged Valplus to perform valuations for the purpose to assess the recoverable amounts of Furniture CGU and Data Centre CGU as at 30 June 2023 and 2022.

18. IMPAIRMENT TESTING FOR CGUS (CONTINUED)

Furniture CGU

The Group carried out reviews of the recoverable amount of its pledged building and leasehold lands (the "**Pledged Asset**") and the possibility of bank may confiscate the Pledged Asset. The directors of the Company record a fully impairment of RMB49,750,000 on the Pledge Asset.

As at 30 June 2022, the recoverable amount of Furniture CGU of RMB61,520,000 is higher than its carrying amount of RMB56,201,000, no impairment loss has been recognised.

Data Centre CGU

The recoverable amount of Date Centre CGU is determined based on a VIU calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at 3.00% (30 June 2022: 3.00%) growth rate which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 13.5% (30 June 2022: 15.5%) per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

As at 30 June 2023, based on the assessment result, the recoverable amount of RMB26,435,000 is less than the carrying amount of RMB28,523,000 impairment loss of RMB2,088,000 on its goodwill has been recognised for the year.

As at 30 June 2022, based on the assessment result, the recoverable amount of RMB31,792,000 is less than the carrying amount of RMB37,422,000, impairment loss of RMB5,630,000 on its goodwill has been recognised for the period.

19. LOAN RECEIVABLES

	2023 RMB'000	2022 RMB'000
Loan receivables	**50,000**	50,000

On 2 June 2021, the SPV Loan Agreement entered into between the Company as lender and the SPV as borrower pursuant to which the Company shall advance the loan in the aggregate sums of up to RMB100,000,000 (in HK$ equivalent) in two tranches. The SPV is owned as to 50% by Cloud Knight, which in turn is wholly owned by Mr. Man Lap and as to 50% by Lightning Cloud, which in turn is wholly owned by Mr. Lai Ningning.

The tranche 1 of the loan amounting RMB50,000,000 was drawn on 10 August 2021. The loan is secured by the entire issued share capital of Cloud Knight and Lightning Cloud and guaranteed by Mr. Man Lap and Mr. Lai with interest rate of 6% per annum and repayable on or before 30 months from the drawdown date of the tranche 1 of the loan.

The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current credit worthiness.

As at 30 June 2023 and 2022, the Group elected general approach to measure lifetime ECLs on loan receivables using probability default model. Since the ECLs was immaterial, no loss allowance is made during the year ended 30 June 2023 and the period ended 30 June 2022.

The maturity profile of loan receivables net of allowance at the end of reporting period, analysed by the remaining period to the contractual maturity date is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**50,000**	–
In the second year	**–**	50,000
	50,000	50,000

20. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	2,747	3,031
Work in progress	331	621
Finished goods	7,260	7,099
	10,338	10,751

During year ended 30 June 2023, the Group has written down RMB2,070,000 (period ended 30 June 2022: RMB4,924,000) of its finished goods. The written down has been included in cost of sales.

21. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2023 RMB'000	As at 30 June 2022 RMB'000	As at 1 January 2021 RMB'000
Contract assets	11,587	30,193	2,668
Contract liabilities	3,971	33,641	2,882
Contract receivables (included in trade receivables)	12,688	11,883	13,476

Transaction prices allocated to performance obligations unsatisfied at end of year/period and expected to be recognised as revenue in:

— one year	3,971	33,641

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Revenue recognised in the year/period that was included in contract liabilities at beginning of year/period	32,938	1,784

21. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

Significant changes in contract assets and contract liabilities during the year/period:

	2023		2022	
	Contract assets RMB'000	**Contract liabilities RMB'000**	Contract assets RMB'000	Contract liabilities RMB'000
Increase due to operations in the year/period	**10,505**	**3,268**	28,354	32,543
Transfer of contract assets to receivables	**(29,242)**	**–**	(1,078)	–
Transfer of contract liabilities to revenue	**–**	**(32,938)**	–	(1,784)
Unwinding QADs with significant financing component brought forward from prior years	**131**	**–**	249	–

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

As at 30 June 2023, the Group elected simplified approach to measure lifetime ECLs on contract assets using probability default model. Since the difference was immaterial to the consolidated financial statements, no impairment loss was provided for contract assets during the year ended 30 June 2023 and period ended 30 June 2022.

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

22. TRADE, LEASE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables (Note (a))	**13,174**	11,883
Lease receivables (Note (b))	**4,761**	6,741
Other receivables (Note (c))	**12,044**	25,772
Deposits	**1,625**	2,365
Prepayments (Note (d))	**29,740**	26,374
	61,344	73,135
Less: loss allowance	**(22,040)**	(11,198)
	39,304	61,937

(a) Trade receivables

	2023 RMB'000	2022 RMB'000
Trade receivables, gross	**13,174**	11,883
Less: loss allowance	**(6,867)**	(6,975)
Trade receivables, net	**6,307**	4,908

As at 30 June 2023, included in gross trade receivables are trade receivables of RMB9,940,000 (30 June 2022: RMB8,258,000) and QAD receivables of RMB1,208,000 (30 June 2022: RMB1,643,000) from furniture segment. The credit periods on sales of goods for customers are normally within 30 days or up to 180 days from invoice date depends on contract terms.

As at 30 June 2023, included in gross trade receivables are trade receivables of RMB1,540,000 (30 June 2022: RMB1,982,000) from data centre segment. The credit periods on service contacts with customers are normally within 30 days or up to 90 days from invoice date depends on contract terms.

The aging analysis of trade receivables as of the end of reporting period, based on invoice dates, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**4,768**	3,703
More than 3 months	**8,406**	8,180
	13,174	11,883

22. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

The aging analysis of trade receivables as of the end of reporting period, based on past due dates and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Current (not past due)	**3,916**	2,994
Less than 1 month past due	**304**	770
1 to 3 months past due	**858**	296
More than 3 months but less than 6 months past due	**827**	464
More than 6 months past due	**402**	384
	6,307	4,908

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Trade receivables that were past due related to a number of independent customers that have a good track record with the Group. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

The movements in loss allowance of trade receivables were as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year/period	**6,975**	3,679
Loss allowance (reversal)/provision for the year/period	**(108)**	3,296
At the end of the year/period	**6,867**	6,975

As at 30 June 2023, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for furniture segment of RMB9,940,000 (30 June 2022: RMB8,258,000) using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

22. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
At 30 June 2023				
Current (not past due)	**12.7**	**3,018**	**382**	**2,636**
Less than 1 month past due	**13.1**	**168**	**22**	**146**
1 to 3 months past due	**25.5**	**1,151**	**293**	**858**
More than 3 months but less than 6 months past due	**45.6**	**1,521**	**694**	**827**
More than 6 months past due	**100.0**	**4,082**	**4,082**	**–**
		9,940	**5,473**	**4,467**

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
At 30 June 2022				
Current (not past due)	11.6	1,148	133	1,015
Less than 1 month past due	11.7	445	52	393
1 to 3 months past due	28.5	414	118	296
More than 3 months but less than 6 months past due	52.4	974	510	464
More than 6 months past due	100.0	5,277	5,277	–
		8,258	6,090	2,168

As at 30 June 2023, the Group applied simplified approach to measure lifetime ECLs on the Group's QAD receivables for furniture segment of RMB1,208,000 (30 June 2022: RMB1,643,000) using probability-default model. The ECL rate was 53.6% (30 June 2022: 53.7%) and the loss allowance as at year ended was RMB647,000 (period ended 30 June 2022: RMB882,000).

As at 30 June 2023, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB2,026,000 using probability-default model. The ECL rate was 36.87% and the loss allowance as at period ended was RMB747,000. As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB1,982,000 using probability-default model. The ECL rate was 0.15% and the loss allowance as at period ended was RMB3,000.

22. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(b) Lease receivables

As at 30 June 2023, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB4,761,000 using probability-default model. The ECL rate was 0.25% and the loss allowance as at year end was RMB12,000. As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB6,741,000 using probability-default model. The ECL rate was 1.15% and the loss allowance as at period end was RMB78,000.

(c) Other receivables

(i) As at 30 June 2023, among the other receivables, three (30 June 2022: three) debt instruments totaling RMB10,000,000 (30 June 2022:RMB24,000,000) were due from financial institutions and independent third party in the PRC. The balances are unsecured, interest-bearing from 7.1% to 7.3% (30 June 2022: 7.1% to 12%) per annum and repayable in from two to six months (30 June 2022: three to six months).

(ii) As at 30 June 2023, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB13,669,000 (30 June 2022: RMB28,137,000) using probability-default model and provided loss allowance of RMB10,205,000 (30 June 2022: RMB576,000) at the end of the year/period.

(d) Prepayments

(i) As at 30 June 2023, among the prepayments, approximately RMB22,362,000 (30 June 2022: RMB19,902,000) represented prepayments to suppliers for purchase of raw materials.

(ii) As at 30 June 2023, the Group applied general approach to measure ECLs on the Group's prepayments of RMB29,740,000 (30 June 2022: RMB26,374,000) using probability-default model and provided loss allowance of RMB4,956,000 (30 June 2022: RMB3,569,000) at the end of the year/period.

23. CASH AND CASH EQUIVALENTS

As at 30 June 2023, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB27,980,000 (30 June 2022: RMB19,591,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

24. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**21,521**	9,717
Other payables and accruals (Note)	**17,857**	19,780
Other tax payables	**236**	1,045
	39,614	30,542

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	2023 RMB'000	2022 RMB'000
Within 3 months	**14,822**	5,707
More than 3 months	**6,699**	4,010
	21,521	9,717

Note:

At 30 June 2023 , included in other payables was RMB5,665,000 (30 June 2022: RMB5,665,000) due to the registered owner of Beijing Wannuotong. The amount was unsecured, interest-free and repayable on demand.

25. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**3,877**	3,937	**3,739**	3,555
Between one and two years	**–**	3,857	**–**	3,719
	3,877	7,794		
Less: Future finance charges	**(138)**	(520)		
Present value of lease liabilities	**3,739**	7,274	**3,739**	7,274
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,739)**	(3,555)
Amount due for settlement after 12 months			**–**	3,719

At 30 June 2023, the average effective borrowing rate was 3.55% — 6.78% (30 June 2022: 6.78% — 7.48%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

26. CONVERTIBLE BONDS

On 15 January 2020, the Company issued zero coupon convertible bonds with a principal amount of HK$12,400,000 for the acquisition of Polyqueue Limited. The convertible bonds are denominated in HK$ will mature in four years from the issue date at their principal amount or can be converted into ordinary shares of the Company at the holder's option at initial conversion price HK$0.24 per conversion share.

On 6 August 2021, the Company issued convertible loan notes with a nominal value of US$8,000,000. The notes are convertible at the option of the noteholders into fully paid ordinary shares with a par value of HK$0.01 each of the Company on or after 6 August 2021 up to and including 6 February 2024 at an initial conversion price of HK$0.5 per share. Any convertible notes not converted will be redeemed on 6 February 2024 at 122% of their principal amount. Interest of 4% will be paid semi-annually. The convertible bonds shall be translated at the fixed exchange rate of US$1: HK$7.8.

The fair value of the liability component was determined at the issue date of the convertible bonds. The fair value of the liability component, included in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in convertible bonds equity reserve.

26. CONVERTIBLE BONDS (CONTINUED)

The convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year/period	**64,835**	7,041
Increase during the year/period:		
Fair value of the convertible bonds issued	–	65,710
Less: transaction costs	–	(1,815)
Less: Amount classified as equity	–	(14,880)
Liability component on initial recognition	–	49,015
Interest expense	**9,498**	7,833
Interest paid	**(2,213)**	(1,035)
Exchange realignment	**5,779**	1,981
Liability component as at year/period ended	**77,899**	64,835

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 13.84%-14.50% to the liability component.

The principal amount of the convertible bonds as at 30 June 2023 is approximately RMB69,236,000 (30 June 2022: RMB63,858,000).

27. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the period/year are as follows:

	Fair value adjustment on land and buildings *(Note (a))* RMB'000	Fair value adjustment on intangible asset *(Note (b))* RMB'000	Tax losses *(Note (b))* RMB'000	Total RMB'000
At 1 January 2021	(4,980)	(2,064)	–	(7,044)
Credit to profit and loss for the period	357	2,064	–	2,421
At 30 June 2022 and 1 July 2022	(4,623)	–	–	(4,623)
Credit to profit and loss for the year	4,623	–	–	4,623
At 30 June 2023	–	–	–	–

Notes:

(a) It represented deferred tax liabilities recognised on the fair value adjustment on buildings included in property, plant and equipment and leasehold land included in right-of-use assets arising from acquisition of a subsidiary in prior years.

(b) It represented the deferred tax liabilities recognised due to recognition of an intangible asset and deferred tax assets due to recognition of deductible temporary difference from tax loss arising from acquisition of Polyqueue Limited for the year ended 31 December 2020.

28. SHARE OPTION SCHEME

On 19 December 2016, the original share option scheme (the "Share Option Scheme") of the Company was approved and conditionally adopted by the Board and shareholders of the Company by way of written resolutions.

On 2 June 2021, the Company entered into the conditional share option deed (the "Share Option Deed") with Mr. Lai.

Details of the share options outstanding as at the end of the reporting period are as follows:

	2023	2022
Share options granted on 2 August 2021	**100,000,000**	100,000,000
Share options granted on 1 June 2022	**2,000,000**	2,000,000
	102,000,000	102,000,000

	2023		2022	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year/period	**102,000,000**	**0.35**	–	–
Granted during the year/period	**–**	**–**	102,000,000	0.35
Lapsed during the year/period	**–**	**–**	–	–
Outstanding at the end of the year/period	**102,000,000**	**0.35**	102,000,000	0.35
Exercisable at the end of the year/period				
Share options granted on 2 August 2021	**70,000,000**		40,000,000	
Share options granted on 1 June 2022	**2,000,000**		2,000,000	
	72,000,000		42,000,000	

28. SHARE OPTION SCHEME (CONTINUED)

Share Option Deed

On 2 June 2021, the Company entered into the Share Option Deed with Mr. Lai, pursuant to which the Company has conditionally agreed to grant the options to Mr. Lai in the consideration of HK$1.00, exercisable within the option period, such that Mr. Lai shall be entitled to require the Company to allot and issue up to a maximum of 100,000,000 subscription shares at the subscription price upon and subject to the terms set out in the Share Option Deed.

As the relevant conditions were fulfilled, an extraordinary general meeting was held by the Company on 2 August 2021, to approve, confirm and/or ratify the passing of the Share Option Deed. For details, please refer to the announcement dated 2 June 2021, the circular dated 16 July 2021 and the announcement dated 2 August 2021 of the Company.

As the Share Option Deed is regarded as a one-person share option scheme, the Company will not engage a trustee for the Share Option Deed to manage the Share Option Deed in order to save administrative costs.

The following illustrates the changes of shareholding of the Company for the reporting period resulting from the Share Option Deed:

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 July 2022	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2023
Director								
Mr. Lai	2/8/2021	Nil	2/8/2021–1/8/2025	40,000,000	–	–	–	40,000,000
		2/8/2021–1/8/2022	2/8/2022–1/8/2025	30,000,000	–	–	–	30,000,000
		2/8/2021–1/8/2023	2/8/2023–1/8/2025	30,000,000	–	–	–	30,000,000
				100,000,000	–	–	–	100,000,000
Exercisable at the end of the year								70,000,000

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 January 2021	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2022
Director								
Mr. Lai	2/8/2021	Nil	2/8/2021–1/8/2025	–	40,000,000	–	–	40,000,000
		2/8/2021–1/8/2022	2/8/2022–1/8/2025	–	30,000,000	–	–	30,000,000
		2/8/2021–1/8/2023	2/8/2023–1/8/2025	–	30,000,000	–	–	30,000,000
				–	100,000,000	–	–	100,000,000
Exercisable at the end of the period								40,000,000

28. SHARE OPTION SCHEME (CONTINUED)

Share Option Deed (continued)

The options outstanding at the end of the year have a remaining contractual life of 2.09 years and the exercise price is HK$0.35.

The fair value of the share options granted is measured at the date of grant, using the binomial option pricing model, taking into account the terms and conditions of the transactions. The inputs used in the calculation of the fair value of the share options are as follows:

Date of grant	2/8/2021
The closing price of the Company's shares quoted on the Stock Exchange at the date of grant	HK$0.395
The closing price of the Company's shares quoted on the Stock Exchange before the date of grant	HK$0.39
Exercise price	HK$0.350
Risk-free interest	0.36%
Expected volatility	86.72%
Expected life	4 years
Expected dividend yield	N/A

Calculation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All significant features necessary to be considered for the measurement of fair values of the share options granted in the period were incorporated into such measurement.

The fair value of the share options granted by the Group on 2 August 2021 amounted to approximately HK$24,356,000 (in equivalent to RMB20,245,000). For the year ended 30 June 2023, an equity-settled share-based payment expense of approximately RMB3,604,000 was recognised by the Group. (Period ended 30 June 2022: RMB16,377,000).

Share Option Scheme

On 1 June 2022, the Company entered into the share option agreement with Mr. Li, pursuant to which the Company has conditionally agreed to grant the options to Mr. Li in the consideration of HK$1.00, exercisable within the option period, such that Mr. Li shall be entitled to require the Company to allot and issue up to a maximum of 2,000,000 subscription shares at the subscription price upon and subject to the terms set out in the Share Option Scheme.

The grant has been reviewed and approved by the Board (including all independent non-executive Directors other than Mr. Li in accordance with Rule 23.04(1) of the GEM Listing Rules). As Mr. Li will not, as a result of the grant, be entitled to be issued with such number of shares as represents over 0.1% of the shares in issue upon exercise of all share options granted to him in the 12-month period up to and including the date of grant, the grant to Mr. Li is not subject to approval of the shareholders in general meeting.

28. SHARE OPTION SCHEME (CONTINUED)

Share Option Scheme (continued)

The following illustrates the changes of shareholding of the Company for the reporting period resulting from the share option scheme:

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 July 2022	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2023
Director								
Mr. Li	1/6/2022	Nil	1/6/2022–31/5/2026	2,000,000	–	–	–	2,000,000
Exercisable at the end of the year								2,000,000

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 January 2021	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2022
Director								
Mr. Li	1/6/2022	Nil	1/6/2022–31/5/2026	–	2,000,000	–	–	2,000,000
Exercisable at the end of the period								2,000,000

The options outstanding at the end of the period have a remaining contractual life of 2.92 years and the exercise price is HK$0.22.

The fair value of the share options granted is measured at the date of grant, using the binomial option pricing model, taking into account the terms and conditions of the transactions. The inputs used in the calculation of the fair value of the share options are as follows:

Date of grant	1/6/2022
The closing price of the Company's shares quoted on the Stock Exchange at the date of grant	HK$0.207
The closing price of the Company's shares quoted on the Stock Exchange before the date of grant	HK$0.195
Exercise price	HK$0.220
Risk-free interest	2.34%
Expected volatility	84.84%
Expected life	4 years
Expected dividend yield	N/A

28. SHARE OPTION SCHEME (CONTINUED)

Share Option Scheme (continued)

Calculation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All significant features necessary to be considered for the measurement of fair values of the share options granted in the period were incorporated into such measurement.

The fair value of the share options granted by the Group on 1 June 2022 amounted to approximately HK$239,000 (in equivalent to RMB198,000). For the year ended 30 June 2023, no equity-settled share-based payment expense of was recognised by the Group. (For the period ended 30 June 2022, approximately RMB198,000)

29. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2021, 30 June 2022, 1 July 2022 and 30 June 2023	1,500,000,000	13,493
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2021, 30 June 2022, 1 July 2022 and 30 June 2023	907,333,333	8,016

Note:

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising share capital and reserves.

29. SHARE CAPITAL (CONTINUED)

The net debt-to equity ratio at the end of reporting period was as follow:

	2023 RMB'000	2022 RMB'000
Current liabilities		
Trade and other payables	39,614	30,542
Convertible bonds	77,899	–
Lease liabilities	3,739	3,555
	121,252	34,097
Non-current liabilities		
Lease liabilities	–	3,719
Convertible bonds	–	64,835
	–	68,554
Total debt	121,252	102,651
Less: Cash and cash equivalents	(33,761)	(28,936)
Net debt	87,491	73,715
Total equity	47,349	127,921
Net debt to equity ratio	185%	58%

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investment in a subsidiary	**68,781**	140,106
Loan receivables	**–**	50,000
	68,781	190,106
Current assets		
Trade, lease and other receivables	**1,433**	1,394
Loan receivables	**50,000**	–
Cash and cash equivalents	**5,349**	1,256
	56,782	2,650
Current liabilities		
Trade and other payables	**315**	–
Convertible bonds	**77,899**	–
	78,214	–
Net current (liabilities)/assets	**(21,432)**	2,650
Total assets less current liabilities	**47,349**	192,756
Non-current liabilities		
Convertible bonds	**–**	64,835
NET ASSETS	**47,349**	127,921
Capital and reserves		
Share capital	**8,016**	8,016
Reserves	**39,333**	119,905
TOTAL EQUITY	**47,349**	127,921

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Convertible bonds equity reserve RMB'000	Share option reserve RMB'000	Foreign exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	187,196	7,337	–	(3,741)	(26,585)	164,207
Loss for the period	–	–	–	–	(74,941)	(74,941)
Other comprehensive expense:						
Exchange difference arising on translating of financial statements of the Company	–	–	–	(816)	–	(816)
Total comprehensive income for the period	–	–	–	(816)	(74,941)	(75,757)
Recognition of equity-settled share-based payment expense	–	–	16,575	–	–	16,575
Issue of convertible bonds	–	14,880	–	–	–	14,880
At 30 June 2022 and 1 July 2022	**187,196**	**22,217**	**16,575**	**(4,557)**	**(101,526)**	**119,905**
Loss for the year	**–**	**–**	**–**	**–**	**(86,116)**	**(86,116)**
Other comprehensive expense:						
Exchange difference arising on translating of financial statements of the Company	**–**	**–**	**–**	**1,940**	**–**	**1,940**
Total comprehensive income for the year	**–**	**–**	**–**	**1,940**	**(86,116)**	**(84,176)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**3,604**	**–**	**–**	**3,604**
At 30 June 2023	**187,196**	**22,217**	**20,179**	**(2,617)**	**(187,642)**	**39,333**

31. RESERVES (CONTINUED)

(c) The nature and purposes of reserve within equity are as follows:

(i) **Share premium**

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(ii) **Convertible bonds equity reserve**

The convertible bonds equity reserve represents the fair value of the conversion options in the convertible bonds issued.

(iii) **Share option reserve**

The reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements where the Share Option Deed/Scheme has not yet been settled by means of an award of shares to an individual.

(iv) **Other reserve**

The other reserve of the Group represents the difference between the total equity of the subsidiaries and the aggregated share capital of the subsidiaries pursuant to the reorganisation where the transfer of the subsidiaries to the Company were satisfied by issue of new shares from the Company.

(v) **Statutory reserve**

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, the subsidiaries are required to appropriate 10% of their annual net profits of the PRC subsidiary, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the subsidiary, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

(vi) **Foreign exchange reserve**

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(vii) **Accumulated loss**

Cumulative net gains and losses recognised in profit or loss.

32. PLEDGE OF ASSETS

The following assets of the Group were pledged at end of the reporting period:

	2023 RMB'000	2022 RMB'000
Buildings	**–**	38,284
Leasehold land	**–**	13,242
	–	51,526

33. CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 June 2023 and 2022.

34. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2023 and 2022.

35. RELATED PARTY TRANSACTIONS

(a) The Group had the following balance with a related company at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Amount due from a related company:		
Long-term loan receivables — Mega Data Investment Ltd.	**50,000**	50,000
Interest receivables — Mega Data Investment Ltd.	**1,503**	1,490
	51,503	51,490

A director, Mr. Lai, has control over the related company.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group entered into the following transaction with a related party during the year/period:

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Interest income from Mega Data Investment Ltd.	**3,000**	2,693
Interest income from Gu' an Fu' ai Electronics Co., Ltd.	**–**	1,674
Buildout management service income from Gu' an Fu' ai Electronics Co., Ltd.	**38,928**	60,772

A director, Mr. Lai, has control over the related companies.

(c) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other key management of the Group. The key management personnel compensations are as follows:

	1/7/2022 to 30/6/2023 RMB'000	1/1/2021 to 30/6/2022 RMB'000
Fees	**424**	712
Salaries, allowance and benefits in kind	**2,105**	3,136
Pension scheme contributions	**588**	805
Equity-settled share option expenses	**3,604**	16,546
	6,721	21,199

36. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 30 June 2023 are set out below:

Name of entity	Place of incorporation and form of business structure	Issued and fully paid-up ordinary share capital or registered capital	Equity interest attributable to the Company		Principal activities and principal place of business
			Directly	Indirectly	
Smart Raise Holdings Limited	The British Virgin Islands ("BVI"), Limited liabilities company	20,000 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong
Smart Raise (Hong Kong) Limited	Hong Kong, Limited liabilities company	HK$76,087,308 divided into 20,000 ordinary shares	–	100%	Investment holding, Hong Kong
四川青田家俱實業有限公司 (Note a)	The PRC, limited liabilities company	RMB61,000,000	–	100%	Manufacture and sale of furniture products, the PRC
成都頤事順達貿易有限公司 (Note b)	The PRC, limited liabilities company	RMB1,000,000	–	100%	Trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels, the PRC
Polyqueue Limited	The BVI, Limited liabilities company	110 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong
ITO Express Limited	Hong Kong, Limited liabilities company	HK$1,000,000 divided into 10,000,000 ordinary shares	–	100%	Buildout management service, the PRC
Beijing Wannuochi (Note a)	The PRC, limited liabilities company	HK$150,000	–	100%	Data centre business, the PRC
Beijing Wannuotong (Note b)	The PRC, limited liabilities company	RMB2,004,050	–	100% (Note c)	Data centre business, the PRC

Notes:

(a) The subsidiary is wholly foreign owned enterprise with limited liability.

(b) The subsidiary is wholly owned domestic company with limited liability.

(c) The Group held 50% of its equity interest. The remaining 50% of interest existed by the virtue of the structured contracts.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year/period:

	Bank borrowing RMB'000	Lease liabilities RMB'000	Liability component of Convertible Bonds RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2021	30,000	24,949	7,041	61,990
Changes in cash flows	(30,067)	(19,164)	49,052	(179)
Non-cash changes				
— Share-based payment arising from issue of convertible bonds	–	–	13,808	13,808
— Less: Amount classified as equity	–	–	(14,880)	(14,880)
— Interest charged	67	1,489	7,833	9,389
— Exchange realignment	–	–	1,981	1,981
At 30 June 2022 and 1 July 2022	**–**	**7,274**	**64,835**	**72,109**
Changes in cash flows	**–**	**(3,971)**	**(2,213)**	**(6,184)**
Non-cash changes				
— Additions	**–**	**54**	**–**	**54**
— Interest charged	**–**	**382**	**9,498**	**9,880**
— Exchange realignment	**–**	**–**	**5,779**	**5,779**
At 30 June 2023	**–**	**3,739**	**77,899**	**81,638**

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 September 2023.

FINANCIAL SUMMARY

	For the year ended 31 December			For the 18 months ended 30 June	**For the 12 months ended 30 June**
	2018	2019	2020	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	74,866	48,610	82,419	172,511	**110,831**
Profit/(loss) for the year attributable to the owners of the Company	4,979	(16,471)	(26,953)	(73,738)	**(79,196)**
Total comprehensive income/(expense) for the year attributable to the owners of the Company	5,021	(16,079)	(27,777)	(75,757)	**(84,176)**

Assets and Liabilities	As at 31 December			As at 30 June	**As at 30 June**
	2018	2019	2020	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	178,325	190,717	265,297	269,810	**174,081**
Total liabilities	(20,814)	(22,340)	(93,074)	(141,889)	**(126,732)**
Net assets	157,511	168,377	172,223	127,921	**47,349**

The summary above does not form part of the audited consolidated financial statements.