

# 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



**2023/24**  
ANNUAL REPORT

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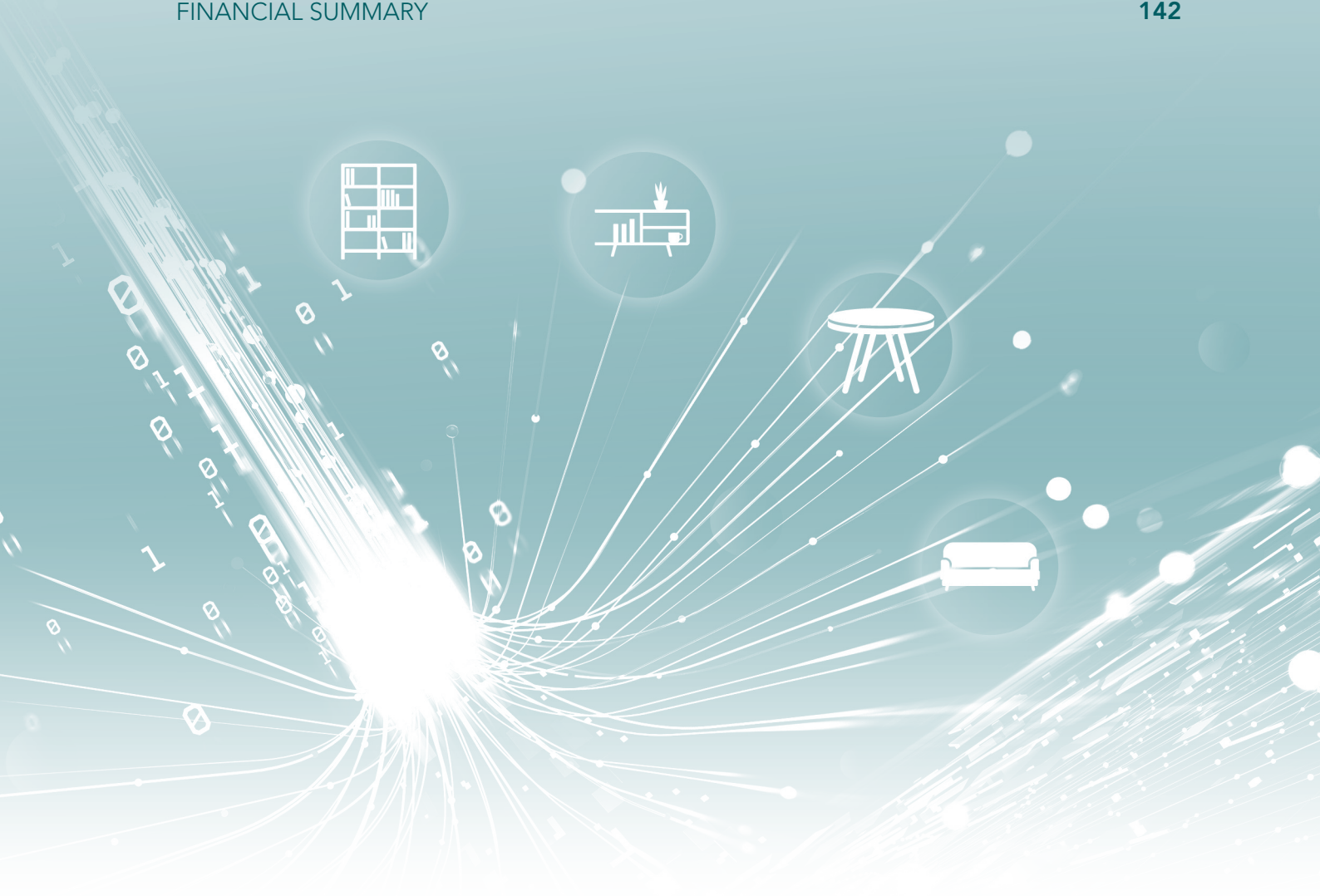
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# CORPORATE INFORMATION

## REGISTERED OFFICE

Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3/F, 222 Tianren Road  
Gaoxin District  
Chengdu City  
Sichuan Province  
The People's Republic of China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 747, 7/F, Star House  
3 Salisbury Road, Kowloon, Hong Kong

## EXECUTIVE DIRECTORS

Mr. Yi Cong (*Chief Executive Officer*)  
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. Yuen Lai Sheung

## 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*)  
Ms. Cao Shao Mu  
Mr. Li Saint Chi Sainti

## LEGAL ADVISER AS TO HONG KONG LAW

Guantao & Chow Solicitors and Notaries  
Suites 1801-3, 18/F  
One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

# CORPORATE INFORMATION

## AUDITOR

ZHONGHUI ANDA CPA Limited  
23/F, Tower 2, Enterprise Square Five  
38 Wang Chiu Road, Kowloon Bay  
Kowloon, Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Yi Cong  
Ms. Yuen Lai Sheung

## PRINCIPAL BANKERS

China Citic Bank  
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  
Windward 3  
Regatta Office Park  
P.O. Box 1350  
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KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road, Hong Kong

## COMPANY'S WEBSITE ADDRESS

[www.qtbjji.com](http://www.qtbjji.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 2024 (the "**Reporting Period**").

During the Reporting Period, as a result of the ongoing Russia-Ukraine conflict, the escalating tensions in the Middle East, and the potential recession risks following the continuous interest rate hikes by the Federal Reserve, global economic recovery appears increasingly challenging. At the same time, the tensions between the United States and China have led to mutual restrictions and trade barriers, further exacerbating the uncertainty of domestic economic recovery. Despite various policies and measures introduced by the national and local government departments to support the real estate sector, there is still a slump in the real estate market due to the weaker-than-expected economic recovery in China. The furniture industry, amid the cooling real estate market, is undergoing accelerated restructuring. According to the information available at the National Bureau of Statistics, from January to July 2024, national real estate development investments amounted to RMB6,087.7 billion, representing a year-on-year decrease of 10.2%, among which residential investments amounted to RMB4,623 billion, representing a year-on-year decrease of 10.6%. The salable area of new commercial buildings was 541.49 million square metres, representing a year-on-year decrease of 18.6%, among which the salable area of residential housing decreased by 21.1%. The sales of new commercial housing amounted to RMB5,333 billion, representing a decrease of 24.3%, among which the sales of residential housing decreased by 25.9%. 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. In addition, due to economic pressure and uncertainty, many businesses may tighten their budgets, and some companies may decelerate or cancel 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 to reduce costs, which has resulted in substantial pressure on our business prospect. Confronted by the complex domestic and international conditions, we continued to focus on the southwestern region such as Sichuan Province, Chongqing City, and Tibet Autonomous Region by continuing to consolidate market share during the year. In terms of products, the Company has designed and developed more multifunctional products to satisfy market demand, such as furniture for healthcare centres, smart furniture, and customised medical furniture, to expand our furniture sales and promotion scope and to specifically attract more high-quality customers. In terms of establishment of sales initiatives, for bulk purchase orders, specialised meetings on tendering are held by gathering sales managers and related personnel to overcome possible difficulties in tendering and increase the tender success rate of sales contracts. Although we have taken many measures, the effect of market expansion still did not meet our expectations. In addition, we achieved positive results of exercising strict control over various costs and expenses while actively collecting significant overdue receivables.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

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. The data centre operators that we currently cooperate with have 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. On one hand, the Company negotiates with them to reduce costs, and on the other hand, it firmly grasps the market, leveraging on its brand effect to attract more high-level internet customers. Currently, our cooperative relationships with our top five customers are very stable, providing us with a stable source of income. We focus on the ways to ensure the stickiness of our major customers and stabilise the income provided by major customers. 1. We maintain close contact with major customers, constantly monitoring their status. We strive to meet the new demands of our customers, enhancing the satisfaction and loyalty of our major customers. In cases where there is a potential reduction in customers, we need to identify the risk in advance and find new customers to fill the gap as soon as possible so as to maintain a stable proportion of revenue from major customers. 2. We unleash the potential of existing customers and assist in their expansion. Due to the weaker-than-expected economic recovery during the post-pandemic era, it is more difficult for us to acquire new customers. However, we rise to the challenge, actively seize opportunities through phased promotional activities to actively consolidate our foundation, 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. In the last two fiscal years, the buildout management project made a positive profit contribution to the Group. Since the first phase of the buildout management project has been completed, during the Reporting Period, the Group has not commenced any new buildout management projects.

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. The loan has matured during the year and the principal and interest have been fully repaid.

As mentioned in the report last year, there were two unforeseen events occurred during last year that resulted in significant losses for the Company.

1. The Group had pledged the land and buildings and other properties against its subsidiary, Sichuan Greenland Furniture Co., Limited\* (四川青田家俱實業有限公司) ("**Sichuan Greenland**"), to assist Mr. Luo Jinyao (Dongguan Yaobang Group Co., Ltd.\* (東莞市耀邦集團有限公司) ("**Yaobang Group**") is under control of Mr. Luo Jinyao, as a borrower (the "**Borrower**") or his subsidiaries in obtaining financing. 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

\* for identification purposes only

# CHIEF EXECUTIVE OFFICER'S STATEMENT

Greenland to observe and fulfil its obligations under the Company's pledge of a parcel of land and buildings located at Chengdu City. In response to the above matter, in the previous financial year, an impairment loss on assets of approximately RMB49.8 million has been provided according to the net carrying amount. On 16 January 2024, Dongguan Third Primary People's Court, Guangdong made a judgement confirming that the Bank has the right to enforce the pledge and sell the properties through auction to repay the Borrower's debt to the Bank. On 7 June 2024, the Intermediate People's Court has made a civil judgement, whereby (among other things), the appeals by Sichuan Greenland and the Bank were dismissed and the original judgement (i.e., the Jan 2024 Judgment) was upheld. The June 2024 Judgment is the final judgement.

The Group has been looking for other suitable locations, and will relocate our production base currently situated at the properties when the Bank enforces its right to sell the properties. 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.

2. As disclosed in the 2022/23 annual report of the Company, three wealth management products with an aggregate principal amount of RMB10 million remain outstanding and overdue. The Group has provided an investment loss of approximately RMB9.5 million based on the estimated fair value assessment in the last financial year due to its higher risk of redemption and based on the principle of prudence, in order to fairly reflect the Group's financial position. During the Reporting Period, the Group has provided in full for investment losses on the abovementioned wealth management products for the balance of the previous financial year for which no provision for investment losses had been made.

The Group will closely monitor the progress of the aforesaid matters in the future and will comprehensively consider various feasible legal measures in order to minimise investment losses and protect the interests of the Shareholders.

For details of the above two incidents, please refer to the relevant announcements of the Company published on 2 June 2023 and 11 August 2023. For subsequent specific matters, please refer to the subsection headed "Significant Events during the Reporting Period" under the section headed "Management Discussion and Analysis" of this report.

Looking forward, the real estate market and furniture industry are still in a downturn, and it is expected that they will require a longer period for recovery. However, with the continuous consolidation of national policies to support the real estate sector and promote consumption, we believe that the consumer market will recover and keep up its growth momentum. The Group remains very optimistic about the future recovery of the furniture market, and at the same time, we remain very confident in our brand advantage. 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



## CHIEF EXECUTIVE OFFICER'S STATEMENT

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 will actively expand our customer base and attract more customers from hotels, schools, small companies or household customers through various channels. We will enhance market research and develop new products that align with modern furniture trends, as well as introduce more eco-friendly and smarter furniture products to meet market demands. At the same time, in order to overcome the operational challenges of the furniture business, during the year, the Group established Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司), which is principally engaged in the manufacture of furniture and furniture products and primarily produces sofa and auxiliary products at present, through the investment of WNT. WNT controls 51% of the shareholding of the company. The company's production and operation is currently smooth. We believe that by establishing diversified operations in the furniture business, we can effectively mitigate the risks associated with monotony of the original business in the furniture market and strive to stabilise our revenue. We believe that in line with a gradual recovery in the market demand for furniture, our business performance will continue to grow steadily.

In terms of data centre business and buildout management service business, following the surge of cloud computing and rapid development of the big data technology, driven by new national infrastructure strategies, data centres, as the foundation of the digital world, have been under the spotlight in this era and gained traction in recent years. Established data centre providers are moving on slowly but surely, while companies from other industries ambitiously aspire to make a foray into the data centre industry which is full of potential, further intensifying and enriching competitive landscape of the industry. In the feast of digital infrastructure, companies are not only competing in terms of technical strength, service quality, and operational efficiency, but also exploring paths for differentiated development, striving to stand out in the intense market competition. Data centres are no longer simply used for data storage and processing. They are gradually evolving into core engines that support the high-quality development of the digital economy, leading the industry towards higher intelligence, greenness, and security. On one hand, we will actively pursue our customer expansion by enhancing brand promotion and strive to elevate the scale of our existing business to the next level as quickly as possible. At the same time, we will strengthen customer relationships and enhance customer loyalty through long-term cooperation agreements, quality customer service, and support. 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 to reduce our reliance on a single supplier. We establish alternative plans to quickly shift our business in case of issues with primary suppliers. We establish close cooperative relationships with upstream and downstream partners in the industry chain to jointly develop the market and expand the business. Through resource sharing and complementary advantages, our overall competitiveness will be enhanced. On the basis of maintaining stable development of existing businesses, we actively expand into new business areas such as cloud computing services and big data analytics to provide more comprehensive solutions and services, thereby enhancing our market competitiveness. As for the long-term development, it is imperative to build our own data centre and develop an intelligent computing centre.

\* for identification purposes 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. We believe that the diversified operation of the furniture business through the expansion of sales channels of sofas by Shangcheng can effectively prevent the risk of monotony of the original business in the furniture market and provide stable income to the Group. 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, 20 September 2024

# 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, the Tibet Autonomous Region 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\* (四川青田家具實業有限公司) (“**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, 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.

During the Reporting Period, the Group established Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司), which is principally engaged in the manufacture and sale of furniture and furniture products, through the investment of WNT. WNT controls 51% of the shareholding of the company. It aims to enable the furniture business to quickly overcome its operational challenges, establish diversified operations in furniture, and strive to stabilise our revenue.

### Manufacture and sale of furniture products business

During the Reporting Period, the Group achieved a revenue from sale of furniture products segment of approximately RMB37.1 million, representing a decrease of approximately RMB11.2 million or approximately 23.1% as compared to the corresponding period of last year.

Due to insufficient domestic consumer confidence and slower-than-expected economic recovery, the real estate and furniture industries are still in a period of in-depth adjustment, further lengthening their full recovery. The overall demand in the furniture industry continues to be weak, leading to increasingly intense market competition. In addition, under the profound impact of the novel coronavirus epidemic over the past three years, consumers’ shopping habits have changed significantly. Online shopping has become the first choice of more consumers, further weakening the traditional appeal of commercial real estate, making it difficult to regain its prosperity. Against this backdrop, customers are more inclined to exercise caution to purchase or replace furniture. Due to economic pressure and uncertainty, some companies may decelerate or cancel expansion plans, further reducing the demand for furniture. At the same time, there are no obvious signs of recovery in bidding activities across various regions, which has a far greater impact on the furniture industry than we previously expected. Facing an array of challenges, the Group decided to focus on consolidating the markets in the southwestern regions including the Sichuan Province, actively coordinating the supply chain relationship between customers and suppliers in order to ensure on-time delivery of customers’ orders in the Sichuan Province. During the Year, the Company has strengthened its product research and development and has designed and developed more multifunctional series products to meet market demands, such as furniture for healthcare centres, smart furniture, and customised medical furniture, to expand the Company’s furniture sales and promotion scope and to specifically attract more high-quality customers. In terms of establishment of sales initiatives, for bulk purchase orders, specialised meetings on tendering are held to overcome possible difficulties in tendering and increase the tender success rate of sales contracts. Although we have taken many measures, the effect was insignificant. The sales revenue in Sichuan Province has decreased significantly compared to the corresponding period of last year. With the relaxation of pandemic lockdown policies and the gradual economic recovery, the Group has also actively explored markets in other southwestern regions, with a focus on restoring markets in Chongqing City, Tibet Autonomous Region, and other provinces, and has made certain progress. Among which, revenue of the

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

Chongqing City slightly decreased as compared to the corresponding period of last year, while revenue of the Tibet Autonomous Region increased by 413.2% as compared to the corresponding period of last year. However, the markets in the Guizhou province and the Yunnan province have not fully recovered yet. Meanwhile, the Group strictly controls various costs and expenses, actively collects significant overdue receivables, strengthens the control of daily operating expenses, strives to eliminate the influence of various adverse factors, and has achieved certain results.

## Other matters during the Reporting Period

As mentioned in the report of the last financial year, the Group had pledged the land and buildings and other properties against its subsidiary, Sichuan Greenland, to assist Mr. Luo Jinyao (Dongguan Yaobang Group Co., Ltd.\* (東莞市耀邦集團有限公司) (“**Yaobang Group**”) is under control of Mr. Luo Jinyao, as a borrower (the “**Borrower**”) or his subsidiaries in obtaining financing. 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. For subsequent particulars, please refer to the content set out in the subsection headed “**Significant Events During the Reporting Period**” under the Management Discussion and Analysis section of this report.

In addition, as disclosed in the 2022/23 annual report of the Company, 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 (ZEG)**”) with an aggregate principal amount of RMB10 million which remain outstanding as at the date of this report. The Group has provided an investment loss of approximately RMB9.5 million based on the estimated fair value assessment in the last financial year. During the Reporting Period, the Group has provided in full for investment losses on the abovementioned wealth management products for the balance of the previous financial year for which no provision for investment losses had been made. For specific matters, please refer to the content set out in the subsection headed “**Significant Events During the Reporting Period**” under the Management Discussion and Analysis section of this report.

## Data centre business

During the Reporting Period, the Group achieved a revenue from the existing business of the data centre segment of approximately RMB20.4 million, representing a decrease of approximately RMB3.3 million or approximately 13.9% as compared to the corresponding period of last year. The current revenue from the data centre segment is mainly the rental income from server rack rentals, the business is relatively stable and the customer attrition rate is comparatively low. However, the mode of operation is relatively simple and easily replicated, hence it is difficult for us to maintain a unique competitive edge. To fight for market share, competitors may lower their prices, leading to a reduction in profit margin. Due to the increasingly intensified market competition and the pessimistic sentiment caused by the prolonged three-year COVID-19 pandemic, some customer did not renew their leases upon expiry or were undergoing business downsizing. New customers were not filled in a timely manner, resulting in insufficient utilization of vacant rack spaces. Meanwhile, revenue also declined year-on-year due to lower unit prices for new leases as the Company sought to attract new customers. For the Reporting Period, apart from data centre operations and security services, the revenue from the business of leasing server racks, the information technology management service and internet access connection service declined year-on-year. In this regard, the Group 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 in their expansion and growth. Meanwhile, we actively explore new customer through various channels, which have yielded certain results. On the other hand, we sought to negotiate a lower rental price with the suppliers to allow the Group to provide competitive prices flexibly and maintain competitiveness of the Company.

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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. As the Phase I buildout management projects were completed in the last two financial years, the Group did not commence any new buildout management projects during the Reporting Period, and therefore no revenue in relation to the buildout management service was recognised (the corresponding period of last year: revenue of approximately RMB38.9 million).

During the Reporting Period, the Group recorded a revenue of approximately RMB57.5 million, representing a decrease of approximately RMB53.4 million or approximately 48.1% as compared to the corresponding period of last year. During the Reporting Period, owners of the parent of the Group recorded a loss of approximately RMB38.5 million, as compared with the loss of approximately RMB79.2 million recorded by the owners of the parent of Group for the Previous Reporting Period. For details on the increase in 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 forward, the real estate market is still in a downturn, and it is expected that the furniture market will require a longer period for recovery. However, we remain cautiously optimistic about the future market outlook. The State Council emphasizes that in the second half of the year, it needs to make great efforts to keep up the growth momentum of the economy. It needs to expand domestic demand more effectively, with a focus on boosting consumption, and take targeted measures to facilitate economic circulation. To promote consumption, it needs to focus on areas with strong growth and impetus, accelerate the expansion and enhance the quality of service and consumption, effectively promote bulk consumption, formulate differentiated support policies according to the needs of different groups, and fully unleash the potential of consumption. Accordingly, with gradual dissipation of domestic and international uncertainties and recovery consumer confidence, it is expected that China's economy will recover vigorously. Hence, the Company will actively seize the opportunity and take the following measures: 1. We will gather our resources on the expansion of marketing channels. First, we will further reclaim and consolidate the Southwest market. In key market development regions, we will consider investing in billboard and vehicle advertising to expand our brand influence. In times of favourable conditions, we will expand into markets beyond the southwestern region in due course. At the same time, the Company will also consider achieving a balance between maintaining the market share in the Southwest region and a reasonable profit margin. 2. We will establish a customer follow-up system, maintain regular contact with customers, establish a comprehensive after-sales service system, promptly resolve customers' issues and complaints, enhance customer trust in the brand, and stimulate repurchase intentions. 3. We will continue to enhance research and development and develop products suitable for different markets based on the specific needs of different consumer groups. We will launch personalised and fashionable furniture products for young consumers as well as convenient and comfortable elderly-friendly furniture products for elderly consumers, etc. By market segmentation, we launch more eco-friendly and smarter furniture products to cater for the needs of different consumers. 4. Our sales team will actively expand our customer base of the and attract more customers from hotels and schools through various channels. We will organize product briefing sessions in our showroom to attract direct orders

# MANAGEMENT DISCUSSION AND ANALYSIS

from retail customers while actively exploring online sales. 5. We will continue to optimise supply chain management and reduce production costs. By establishing long-term and stable cooperative relationships with suppliers, we strive for more favourable raw material prices and more stable supply channels. At the same time, we will strengthen inventory management to reduce inventory backlog and waste. Internally, we will improve production processes and explore the potential for energy saving and consumption reduction, continuously enhance service capabilities and operational efficiency by reducing various costs, and strive to improve the current operating conditions of the furniture segment. In addition, in order to quickly overcome the operational challenges of the furniture segment, the Group will enhance efforts to support the manufacture and sales of sofas and auxiliary products by Shangcheng Smart Home. We believe that by establishing diversified operations in the furniture business, we can effectively mitigate the risks associated with monotony of the original business in the furniture market and strive to stabilise our revenue.

In terms of data centre business and buildout management services, the Group will strengthen customer relationships, enhancing customer loyalty through long-term cooperation agreements, high-quality customer service, and support. We will flexibly adjust pricing strategies in response to market demand and competitive landscape. Different pricing strategies, package discounts, and long-term cooperation discounts can be adopted to attract customers of different levels. We will actively reach customers of different industries or types to reduce reliance on a single customer group. We will keep track of market dynamics and changes in customer demands and promptly adjust service content and pricing strategies to adapt to market changes. At the same time, we will 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. On the other hand, by strengthening cooperation with existing data centre operations, we strive to secure long-term cooperation agreements with them, ensuring a stable supply of machine enclosure rooms and competitive pricing to prevent operational disruptions and maintain a stable profit forecast. At the same time, we will seek to establish a diversified supplier mechanism to prevent operational disruptions and maintain a stable profit forecast. Meanwhile, the Company will facilitate conditions to provide diversified services that meet the different needs of customers. We will expand our scope of business and offer customised storage solutions, value-added services (such as optimising data storage efficiency, data security protection, quick response support, etc.), and explore integration with other services (such as cloud computing services), to offer one-stop solutions for customers by expanding our internet service offering. We aim to meet the personalised needs of different customers, enhance customer satisfaction and loyalty, and increase revenue sources.

# MANAGEMENT DISCUSSION AND ANALYSIS

Lastly, the Group 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.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB57.5 million, representing a decrease of approximately RMB53.4 million or approximately 48.1% as compared to the corresponding period of last year. The year-on-year decrease in revenue was mainly attributable to the fact that: the Group did not commence any new buildout management projects during the Reporting Period, and therefore no revenue in relation to the buildout management service was recognised (the corresponding period of last year: revenue from that segment of approximately RMB38.9 million). 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 RMB37.1 million, representing a decrease of approximately RMB11.2 million or approximately 23.1% as compared to the corresponding period of last year, which was mainly attributable to the facts that:

- (i) During the Reporting Period, revenue from the five southwestern provinces and regions such as Sichuan and Chongqing (including the Chongqing branch office) decreased by approximately RMB14.1 million or approximately 30.0%, due to the sluggish furniture industry market amid cooling of the real estate sector, and it is expected that it will require a longer period for recovery. As a result of intensified market competition, coupled with the three-year COVID-19 pandemic that has changed the shopping habits of the Chinese people, online shopping has become mainstream, making it difficult for commercial real estate to regain its prosperity. Against this backdrop, customers are more inclined to exercise caution to purchase or replace furniture, leading to extremely sluggish overall demand in the furniture industry. There are no obvious signs of recovery in bidding activities across various regions, which has a far greater impact on the furniture industry than we previously expected.

Among them, the revenue from Sichuan Province decreased by approximately RMB15.1 million or approximately 37.8% compared to the corresponding period of last year, and the revenue from Guizhou Province decreased by approximately RMB2.5 million or approximately 72.4% compared to the corresponding period of last year. These two provinces were the main reasons for the year-on-year decline in revenue in the Southwest region. Revenue from the Tibet Autonomous Region increased by approximately RMB3.8 million or 413.2% compared to the corresponding period of last year, mainly due to a financial client in the region achieving revenue of approximately RMB4.6 million during the Reporting Period, while the revenue from this client was approximately RMB0.1 million in the corresponding period of last year. The revenue from Chongqing City slightly decreased by approximately RMB0.004 million or approximately 0.2% compared to the corresponding period of last

# MANAGEMENT DISCUSSION AND ANALYSIS

year. Revenue from Yunnan Province was insignificant in the Reporting Period and corresponding period of last year, with no breakthrough in market recovery. The Group focused on business expansion in the five southwestern provinces during the Reporting Period. However, except for the Tibet Autonomous Region which achieved positive results, sales in other provinces did not meet our expectations, and revenue failed to achieve growth recovery.

- (ii) Revenue of other provinces and regions apart from the five southwest provinces and regions was approximately RMB1.0 million during the Reporting Period, representing a decrease of approximately RMB0.3 million or approximately 20.3% compared to the Previous Reporting Period, among which revenue from Guangdong Province improved to a certain extent as compared to the previous year, partially offsetting the decline in revenue from the manufacture and sale of furniture products segment. The sales data of both years is relatively insignificant, mainly related to the Company's strategy of focusing on the operations in the five southwestern provinces and regions.
- (iii) The Group newly established Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司) which is engaged in the manufacture and sales of sofas and auxiliary products. During the Reporting Period, the subsidiary achieved sales revenue of approximately RMB3.2 million, contributing to the stabilisation of the revenue of the manufacture and sale of furniture products segment.

Data centre segment: during the Reporting Period, the data centre segment achieved a revenue of approximately RMB20.4 million, representing a decrease of approximately RMB3.3 million or approximately 13.9% as compared to the corresponding period of last year, During the Reporting Period, apart from data centre operations and security services, the revenue from server rack rental business, information technology management services, and internet access connection services recorded a year-on-year decline, mainly attributable to the facts that: due to the weaker-than-expected economic recovery, some customers did not renew their leases upon expiry. New customers were not filled in a timely manner, resulting in insufficient utilization of vacant rack spaces. Meanwhile, revenue also declined year-on-year due to intensified competition and lower unit prices for new leases as the Company sought to attract new customers.

Buildout management service segment: As the Phase I buildout management projects were completed in the last financial year, the Group did not commence any new buildout management projects during the Reporting Period, and therefore no revenue in relation to the buildout management service was recognised (the corresponding period of last year: revenue of approximately RMB38.9 million). The decrease in revenue from the buildout management service segment was the main reason for the decrease in revenue of the Group.

\* For identification purpose only



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 RMB53.8 million, representing a decrease of approximately RMB46.2 million or 46.2% as compared to the corresponding period of last year. Of which:

Manufacture and sale of furniture products segment: cost of sales for the Reporting Period was approximately RMB35.5 million, representing a decrease of approximately RMB8.0 million or approximately 18.4% as compared to the corresponding period of last year. The cost of sales dropped due to the decline in sales, and the decline in cost of sales was smaller than the decline in revenue from furniture, resulting in a year-on-year decrease 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 RMB6.4 million or approximately 17.6% (during the Reporting Period, the provision for loss of inventories and write-off loss increased by approximately RMB3.5 million as compared to the Previous Reporting Period, which slowed down the decline in material costs, and this was the main reason for the year-on-year decrease in gross profit margin); (ii) wages of production staff decreased by approximately RMB0.2 million or approximately 4.2% year-on-year; and (iii) other production expenses decreased by approximately RMB1.4 million or approximately 49.1% year-on-year. This was attributable to the fact that full impairment provision for the plant and land of Sichuan Greenland had been made in the last financial year. Therefore, no relevant depreciation was required for the year, resulting in a year-on-year decrease in depreciation of approximately RMB2.3 million. The abovementioned cost includes the cost for the Group's establishment of Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司) through investment holding, of which material cost, production staff cost and other production cost was approximately RMB1.7 million, RMB0.5 million and RMB0.4 million respectively.

Data centre segment: cost of sales for the Reporting Period was approximately RMB18.3 million, representing a decrease of approximately RMB2.9 million or approximately 13.5% as compared to the corresponding period of last year. This was slightly smaller than the year-on-year decrease in revenue of approximately 13.9%, attributable to the fact that some customer did not renew their leases upon expiry. New customers were not filled in a timely manner, resulting in insufficient utilization of production capacity. Meanwhile, intensified competition resulted in reduction in profit margin. In view of this, the Company strictly implemented "cost reduction and efficiency improvement" and strived for rental discount from suppliers in respect of some server racks upon lease expiry, and certain results have been achieved.

Buildout management service segment: During the Reporting Period, the Group did not carry out projects in relation to buildout management service and therefore did not incur any cost for provision of buildout management services, while the cost for provision of buildout management services of approximately RMB35.3 million was recognised in the corresponding period of last year. The decrease in cost of this segment was the main reason for the decrease in the Group's cost.

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit

Gross profit decreased to approximately RMB3.7 million for the Reporting Period from approximately RMB10.8 million for the corresponding period of last year. Of which:

Manufacture and sale of furniture products segment: gross profit for the Reporting Period decreased by approximately RMB3.1 million or approximately 65.8% as compared to the corresponding period of last year. The gross profit margin of furniture products decreased to approximately 4.4% for the Reporting Period from approximately 9.8% in the corresponding period of last year. The decrease in gross profit was primarily attributable to an increase of approximately RMB3.5 million in provision for loss of inventories during the Reporting Period compared to the corresponding period of last year. Excluding such factor, the gross profit margin of furniture increased from approximately 14.1% in the corresponding period of last year to approximately 19.3% during the Reporting Period. As full impairment provision for the plant and land of Sichuan Greenland had been made in the last financial year, no relevant depreciation was required for the year, resulting in a year-on-year decrease in depreciation of approximately RMB2.3 million, which also greatly contributed to the increase in the gross profit margin. The aforementioned gross profit includes the gross profit contributed by the newly established Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司) through investment holding by the Group. During the Reporting Period, the subsidiary achieved a gross profit of approximately RMB0.66 million with a gross profit margin of 20.3%. As mentioned earlier, as the overall demand of the furniture industry remained very weak, tender and bidding activities in various regions significantly decreased as compared to the Previous Reporting Period. As such, the Group adhered to its operation strategies last year and continued to compete for more orders at lower product prices to maintain effective operations. The Group will also adjust pricing strategy according to actual circumstances to maintain our strong competitiveness. At the same time, the Group aims to quickly overcome the operational challenges of the furniture business through the newly established subsidiary, Shangcheng Smart, and quickly establish diversified furniture operations to disperse single market risk and strive to stabilise our revenue.

Data centre segment: gross profit for the Reporting Period decreased by approximately RMB0.4 million or approximately 17.3% as compared to the corresponding period of last year. Gross profit margin decreased from approximately 10.6% in the corresponding period of last year to approximately 10.2% during the Reporting Period. This was mainly attributable to the fact that: some customer did not renew their leases upon expiry and new customers were not filled in a timely manner, resulting in insufficient utilisation of production capacity. Meanwhile, gross margin decreased as compared to the corresponding period of last year due to intensified competition and the fact that decrease in the unit price of new leases is greater than the lease rate concessions provided by suppliers as the Company sought to attract new customers.

\* For identification purposes only

# MANAGEMENT DISCUSSION AND ANALYSIS

Buildout management service segment: During the Reporting Period, the Group did not generate any revenue and costs from buildout management service, and therefore did not generate any gross profit from buildout management service, while the gross profit generated from buildout management service for the corresponding period of last year was approximately RMB3.6 million. The decrease in gross profit of this segment was the main reason for the decrease in gross profit of the Group.

## Other loss or income, net

During the Reporting Period, the Group's other loss, net amounted to approximately RMB2.4 million, as compared to other income, net of approximately RMB5.0 million in the corresponding period of last year. Other loss, net increased by approximately RMB7.4 million year-on-year, mainly attributable to: (i) the increase in net exchange loss by approximately RMB5.12 million as compared to the corresponding period of last year, mainly due to the appreciation of USD. The original loan contract of the Group stipulated that the SPV loan of RMB50 million would be repaid in USD, resulting in an exchange loss of approximately RMB4.7 million, and the net exchange loss arising from other reasons was approximately RMB0.05 million, while the net exchange revenue for the corresponding period of last year was approximately RMB0.37 million; (ii) the decrease in interest income from loan receivables of approximately RMB1.2 million as compared to the corresponding period of last year due to a corresponding decrease in the number of months for calculating interest income for the year as a result of the repayment of SPV loans maturing in February 2024; (iii) the decrease in interest income from other receivables of approximately RMB1.2 million as compared to the corresponding period of last year, mainly because no interest income was generated from other receivables and the subscription of wealth management products during the Reporting Period; (iv) a certain amount of decrease in interest income arising from releasing contract assets with substantial financing component during the Reporting Period and subsidy income, etc.

## Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB6.6 million, representing an increase of approximately RMB0.3 million or approximately 3.3% as compared to the corresponding period of last year. 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 increase in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to increase in sales in the Tibet Autonomous Region of 413.2% as compared to the corresponding period of last year. As the region is remote from the company, freight charges, loading and unloading fees, handling fees, installation fees, travel expenses, etc. increased greatly year-on-year. In addition, during the Reporting Period, office expenses and entertainment expenses also increased to a certain extent year-on-year, yet depreciation expenses and renovation expenses decreased significantly year-on-year, hence decelerated the increase in selling expenses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative and other expenses

During the Reporting Period, the Group's administrative and other expenses (including impairment loss on assets) amounted to approximately RMB26.1 million, representing a decrease of approximately RMB56.8 million or approximately 68.5% as compared to the corresponding period of last year.

Of which: administrative and other expenses of the data centre segment and buildout management service segment amounted to approximately RMB5.1 million, representing a decrease of approximately RMB2.0 million or approximately 27.5% as compared to the Previous Reporting Period. The decreases were mainly attributable to the fact that during the Reporting Period, the Group did not carry out projects in relation to buildout management service and therefore administrative expenses such as legal and professional fees decreased. In addition, the Company implemented strict cost control, resulting in a certain level of decrease in wage expenses and ordinary expenses during the Reporting Period as compared to the corresponding period of last year.

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 RMB21.0 million, representing a decrease of approximately RMB54.8 million or approximately 72.3% as compared the corresponding period of last year. The decreases were mainly attributable to the following facts:

- (i) During the same period last year, the Group had pledged the land and buildings and other properties against its subsidiary, Sichuan Greenland, to assist Mr. Luo Jinyao (Yaobang Group is under control of Mr. Luo Jinyao, as a borrower) or his subsidiaries in obtaining financing. However, due to the borrower's failure to make repayment on time, an asset impairment loss of approximately RMB49.8 million was recorded. However, no such loss was incurred during the Reporting Period.
- (ii) During the corresponding period of last year, the Company made provisions for losses of approximately RMB9.5 million based on the estimated fair value assessment due to the high risk of redemption for the total principal amount of RMB10 million for three financial products issued by Zhongzhi Enterprise Group. However, during the Reporting Period, only a provision for bad debt loss of approximately RMB0.7 million was required for the remaining balance (including accrued interest in the prior period) not provided for last year, resulting in a significant year-on-year decrease in such losses by approximately RMB8.8 million.
- (iii) the recognition of share-based equity settled payment expenses during the Reporting Period of approximately RMB0.3 million, representing a decrease of approximately RMB3.5 million as compared to the corresponding period of last year;

# MANAGEMENT DISCUSSION AND ANALYSIS

However, the decrease in administrative expenses of (i) to (iii) above has been offset by the increase in administrative and other expenses of (iv) to (vi) below:

- (iv) share-based payment of approximately RMB2.4 million was derived from the issuance of convertible bonds amounting to HK\$12.4 million on 26 February 2024, while no such expense was incurred for the corresponding period of last year;
- (v) the increase of approximately RMB2.8 million in the provision for impairment losses of trade and other receivables and prepayments during the Reporting Period as compared to the corresponding period of last year due to the downturn of the furniture industry;
- (vi) the administrative expenses such as rentals, taxes, welfare fees, office expenses, legal and professional expenses increased during the Reporting Period as compared to the corresponding period of last year.

## Finance Costs

The Group incurred finance costs of approximately RMB7.4 million for the Reporting Period (the corresponding period of last year: approximately RMB9.9 million), representing a year-on-year decrease of approximately RMB2.5 million or approximately 25.1%, mainly due to: (i) the decrease in interest expense arising from the issuance of convertible bonds by the Group of approximately RMB2.8 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 convertible bonds were due for redemption on 6 February 2024 with no amortization of interest expense after 6 February; and (ii) the increase in interest expense on lease liabilities incurred under HKFRS 16 by approximately RMB0.3 million as compared to the corresponding period of last year, due to an increase in lease liabilities during the Reporting Period as compared to the corresponding period of last year.

## Income Tax Expense/Credit

The Group had income tax expense of approximately RMB0.06 million during the Reporting Period, while the income tax credit for the corresponding period of last year was approximately RMB4.2 million. During the Reporting Period, the Group has not provided for enterprise income tax because except that certain subsidiaries of the data centre were subject to income tax, the other subsidiaries incurred losses or made profits but were required to make up for prior years' losses. The income tax credit for the corresponding period of last year was larger as pledged properties such as land and buildings of the furniture segment were treated as provision for asset impairment loss and the deferred tax credit of approximately RMB4.4 million arising from fair value adjustments of assets from the acquisition of its subsidiaries in previous years was transferred out on a one-off basis and treated as current income tax credit.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 RMB38.5 million, and loss for the year attributable to non-controlling interests was approximately RMB0.4 million (the corresponding period of last year: loss attributable to the owners of the Company of approximately RMB79.2 million, and loss for the year attributable to non-controlling interests : nil). The decrease in losses was primarily attributable to the decrease in the Group's administrative and other expenses (including impairment loss on assets) of approximately RMB56.8 million during the Reporting Period as compared to the corresponding period of last year, mainly due to decrease in the provision for impairment loss on assets and loss on investment in wealth management products. Additionally, financing costs decreased by approximately RMB2.5 million year-on-year, all contributing to the decrease in losses. In addition, other income, net during the Reporting Period decreased by approximately RMB7.4 million as compared to the Previous Reporting Period. Revenue during the Reporting Period decreased by approximately 48.1% as compared to the corresponding period of last year, and the cost of sales decreased by approximately 46.2%, leading to decline in gross profit margin and a decrease of approximately RMB7.2 million in gross profit. Income tax credit decreased by approximately RMB4.2 million year-on-year, and sales and distribution expenses increased by approximately RMB0.2 million as compared to the Previous Reporting Period. These four factors partially offset the decrease 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 as at 30 June 2024 amounted to approximately RMB18.7 million (30 June 2023: approximately RMB50.9 million). The decrease was mainly attributable to: (i) the decrease in contract assets of approximately RMB10.9 million, including a decrease in contract assets of the buildout management service segment of approximately RMB10.0 million, mainly due to the recovery of payments that fulfilled the settlement conditions and were carried forward upon project completion, and the contract assets of manufacture and sale of furniture products segment decreased by approximately RMB0.9 million; (ii) the decrease in prepayments and other receivables of approximately RMB17.1 million, including a decrease in the manufacture and sale of furniture products segment of approximately RMB15.4 million, mainly attributable to: a. the decrease in prepayments for purchasing materials of approximately RMB14.6 million. Based on the view that the furniture industry is still in a downturn, the Company changed its procurement strategy and reduced the pre-order quantity of materials to reduce the funds used for prepayments and effectively control financial risks. At the same time, the increase in the provision for bad debt losses on prepayments as compared to the corresponding period of last year also led to a decrease in the net value of prepayments; b. full provisions for bad debt losses on the remaining balance of approximately RMB0.7 million (including accrued interest in the prior period) for the three wealth management products previously purchased from Zhongzhi Enterprise Group due to their high redemption risk, resulting in a year-on-year decrease in other receivables during the Reporting Period. Other receivables of the Hong Kong headquarters decreased by approximately RMB1.5 million, mainly due to the recovery of loan interest during the Reporting Period; while other receivables of the data centre segment decreased by approximately RMB0.2 million, due to the reduction in business transaction amounts; (iii) the decrease in trade

# MANAGEMENT DISCUSSION AND ANALYSIS

and lease receivables of approximately RMB4.0 million, including a decrease in manufacture and sale of furniture products segment of approximately RMB2.1 million, due to our recovery of matured trade receivables. Trade and lease receivables of the data centre segment decreased by approximately RMB1.9 million, due to our recovery of previous lease receivables and decrease in trade receivables, net as a result of increase in loss provision for bad debts.

## Loan Receivables

The Group does not have any loan receivables as at 30 June 2024 (30 June 2023: approximately RMB50.0 million). This is attributable 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), (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 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). As the abovementioned loan has been repaid on the maturity date, the Group does not have any loan receivables as at 30 June 2024.

## Trade and Other Payables

Trade and other payables of the Group as at 30 June 2024 amounted to approximately RMB43.4 million (30 June 2023: approximately RMB39.6 million). Such increase was primarily attributable to: (i) the increase in other payables of approximately RMB10.9 million, including an increase in the Hong Kong headquarters of approximately RMB14.9 million, mainly due to the receipt of interest-free and unsecured loans from the SPV company (the SPV is owned as to 50% by Cloud Knight, which in turn is wholly owned by Mr. Man, and as to 50% by Lightning Cloud, which in turn is wholly owned by Mr. Lai). Other payables of the manufacturing and sales of furniture segment increased by approximately RMB0.6 million, which was attributable to the increase in outstanding temporary payables generated from normal business operations. Other payables of the data centre segment decreased by approximately RMB4.6 million, mainly due to the repayment of temporary accounts; (ii) the decrease in trade payables of approximately RMB7.1 million, including the decrease in the buildout management service segment of approximately RMB9.1 million and the decrease in the data centre segment of approximately RMB1.0 million, both due to the payment of due trade payables. Trade payables of the manufacture and sale of furniture products segment increased by approximately RMB3.0 million, which was due to the increase in trade payables arising from trade transactions.

## Contract Liabilities

The Group's contract liabilities as at 30 June 2024 amounted to approximately RMB2.9 million (30 June 2023: approximately RMB4.0 million). Such decrease was mainly attributable to year-on-year decrease in contract liabilities of the manufacture and sales of furniture products segment due to the collection of receipts in advance from the signing of sales contracts.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Convertible Bonds

The Group had convertible bonds of approximately RMB9.4 million as at 30 June 2024 (30 June 2023: approximately RMB77.9 million). Such decrease was mainly attributable to: during the Reporting Period, (i) redemption on maturity of convertible loan notes with a nominal value of US\$8,000,000 issued by the Company on 6 August 2021; (ii) on 26 February 2024, the Company issued zero coupon convertible bonds with a principal amount of HK\$12,400,000 for setting off all outstanding amount payable for the convertible bonds issued on 15 January 2020.

For details regarding the issuance and redemption of the abovementioned convertible bonds, please refer to the subsection headed "Use of Proceeds from Placing of New Shares under General Mandate or Issuance of Convertible Bonds" under the section headed Management Discussion and Analysis and note 27 and 38 to the consolidated financial statements of this report.

## 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 the share consolidation of the Group took effect on 14 February 2024 (Wednesday), and the maturity date of the aforementioned convertible bonds was 15 January 2024, no adjustment has been made to the conversion price of the aforementioned convertible bonds and the conversion shares to be allotted and issued upon full exercise of the conversion rights attached to the convertible bonds.



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The sellers have not converted the abovementioned convertible bonds before their maturity date. As the abovementioned convertible bonds will mature shortly, on 3 January 2024, the Company has entered into negotiations with the subscriber for the settlement of all outstanding amounts payable by the Company to the subscriber in respect of the abovementioned convertible bonds. After arm's length negotiations, the parties agreed to enter into the subscription agreement to enable the Company to redeem the aforesaid convertible bonds by validly issuing the 2024 Convertible Bonds to each subscriber. According to the terms of the subscription agreement, the subscriber agrees, at the request of the Company, to extend the repayment date for all outstanding amounts (i.e., a total of HK\$12,400,000) ("**Debt**") owed by the Company to the subscriber under the above convertible bonds held by the subscriber on the maturity date to 30 June 2024 (or such other date as they may agree), and to treat the Debt as a deposit for settling the subscription price of the 2024 Convertible Bonds before completion. The gross proceeds from the issue of 2024 Convertible Bonds amounting to HK\$12,400,000 will be used to fully offset all outstanding amounts payable by the Company to the subscriber for the aforementioned convertible bonds.

On 26 February 2024, the subscription of the 2024 convertible bonds with an aggregate principal amount of HK\$12,400,000 was completed on the same day, thus the convertible bonds issued in 2020 have been fully redeemed. For details regarding the issuance of 2024 convertible bonds, please refer to part (c) of the subsection headed Use of Proceeds from Placing of New Shares under General Mandate or Issuance of Convertible Bonds under the section headed Management Discussion and Analysis of this report.

- (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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

The placees have not converted the above convertible bonds before their maturity dates. On the Maturity Date, the Company has redeemed the above Convertible Bonds in full at their aggregate principal amount of US\$8,000,000 by internal resources of the Group. The interest accrued thereon up to the Maturity Date has also been fully paid. Following the redemption, the abovementioned Convertible Bonds were cancelled in whole and the Company is discharged from all of the obligations under and in respect of the abovementioned Convertible Bonds. For details of the aforementioned matter, please refer to the announcement issued by the Group on 7 February 2024.

As the share consolidation of the Group took effect on 14 February 2024, and the aforementioned convertible bonds were redeemed on 6 February 2024, no adjustment has been made to the conversion price of the aforementioned convertible bonds and the conversion shares to be allotted and issued upon full exercise of the conversion rights attached to the convertible bonds.

- (c) On 3 January 2024, the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the 2024 Convertible Bonds in the aggregate principal amount of HK\$12,400,000. The aggregate subscription price of HK\$12,400,000 payable by the Subscribers under the Subscription Agreements shall be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding aggregate principal amount of the 2020 Convertible Bonds of HK\$12,400,000 payable by the Company to the Subscribers at maturity of the 2020 Convertible Bonds. The 2024 Convertible Bonds shall not bear any interest. The maturity date shall be the date falling the second anniversary of the issue of the 2024 Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date. Subject to the terms and conditions of conversion, the conversion period shall be the period commencing from the date of issue of the 2024 Convertible Bonds up to and including the date which is 3 days prior to the Maturity Date

Upon the Share Consolidation becoming effective, based on the initial Conversion Price of HK\$0.683 per Conversion Share, a total of 18,155,197 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the 2024 Convertible Bonds in full, representing (i) approximately 20.01% of the total number of Shares in issue as at latest practicable date, and (ii) approximately 16.67% of the total number of Shares in issue as enlarged by the allotment and issue of the 18,155,197 Conversion Shares upon full conversion of the 2024 Convertible Bonds (assuming that there will be no change in the issued share capital of the Company from the latest practicable date and up to conversion of the 2024 Convertible Bonds in full at the initial Conversion Price). The aggregate nominal value of the Conversion Shares (with a par value of HK\$0.1 each) will be approximately HK\$1,815,520.

# MANAGEMENT DISCUSSION AND ANALYSIS

On the extraordinary general meeting of the Group held on 7 February 2024, the two conditional subscription agreements dated 3 January 2024 between the Company as issuer and each of the two subscribers respectively as a subscriber in relation to the issue of convertible bonds in an aggregate principal amount of HK\$12,400,000 at the initial conversion price of HK\$0.683 per conversion share (subject to adjustments) and the transactions contemplated thereunder (including but not limited to the issue of the convertible bonds and the allotment and issue of the conversion shares upon exercise of conversion rights attaching to the convertible bonds and the grant of the Specific Mandate) were approved, confirmed and ratified.

On 26 February 2024, the Board is pleased to announce that all the conditions precedent set out in the Subscription Agreements have been fulfilled and the completion of the subscription of the 2024 Convertible Bonds in an aggregate principal amount of HK\$12,400,000 to the Subscribers took place the same date. On 2 September 2024 (after trading hours), the Company entered into the Supplemental Deed Poll to, subject to fulfilment of certain conditions, change the maturity date of the 2024 Convertible Bonds to 19 February 2025 (with related consequential amendments as a result). Save for such Amendments, all other terms and conditions of the 2024 Convertible Bonds remain unchanged, valid and in full force.

Use of proceeds: As the aggregate subscription price of HK\$12,400,000 payable by the Subscribers under the Subscription Agreements has been satisfied by setting off all outstanding amount payable by the Company to the Subscribers for the 2020 Convertible Bonds, there were no proceeds arising from the subscription of the 2024 Convertible Bonds. i.e., the proceeds were used by the Company to repay all outstanding amounts of the 2020 Convertible Bonds to the Subscribers.

For details of such placing of convertible bonds, please refer to the announcements of the Company dated 3 January, 22 January, 26 February and 2 September 2024 and the poll results of the extraordinary general meeting held on 7 February 2024.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During the Reporting Period, the Group financed its operations by internally generated cash flow. As at 30 June 2024, the net current assets of the Group amounted to approximately RMB6.5 million (30 June 2023: approximately RMB18.3 million), including bank balances and cash of approximately RMB22.1 million (30 June 2023: approximately RMB33.8 million). As at 30 June 2024, the Group has no outstanding interest-bearing bank loans (30 June 2023: the Group has no outstanding interest-bearing bank loans). As at 30 June 2024, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.1 (30 June 2023: 1.1).

## CAPITAL STRUCTURE

According to announcement of the Group on 9 February 2024, all conditions for the share consolidation and increase in authorised share capital have been satisfied, and the share consolidation and increase in authorised share capital took effect on 14 February 2024. On 30 June 2024, the Company's issued Share capital was approximately HK\$9,073,333 and the number of issued ordinary shares was 90,733,332 shares of HK\$0.1 each.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the Group's total equity attributable to owners of the Company amounted to approximately RMB19.8 million (30 June 2023: approximately RMB47.3 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 2024, 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 2024 (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 2.27 (30 June 2023: approximately 2.03).

## CAPITAL COMMITMENTS

As at 30 June 2024, saved as disclosed in Pledge of Assets in this report, the Group did not have 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").

# MANAGEMENT DISCUSSION AND ANALYSIS

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. For subsequent particulars, please refer to the subsection headed Significant Events during the Reporting Period under the section headed Management Discussion and Analysis of this report.

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

## SIGNIFICANT INVESTMENTS HELD

As of 30 June 2024, the Group subscribed certain wealth management products from Zhongzhi Enterprise Group in the last financial year (details of which are set out in the Company's announcements dated 11 August 2023 and 25 August 2023). Three of these wealth management products with the aggregate principal amount of RMB10 million have not been redeemed. The above three wealth management products had become overdue without being redeemed pursuant to the terms of the subscription agreement. As the probability of redemption of the above financial products was relatively low, full provision for asset losses had been made. However, there was no individual investment with a carrying value of 5% or more of the Group's total assets as at 30 June 2024.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Period, the Group invested in the establishment of Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司) through its subsidiary, Beijing Wannuotong Technology Company Limited\* ("WNT") with a paid-in capital of RMB2 million and an investment of RMB1.02 million by WNT to control 51% of the shareholding of the company. The company is principally engaged in the manufacture and sale of furniture and furniture products. Although the above event does not constitute a material investment, this disclosure is made to enhance investors' understanding and transparency of the Group's operational planning. This is intended to enable the furniture business to overcome the operational challenges as soon as possible, to establish diversified operations in the furniture business and to stabilize our revenue.

Save as disclosed in this report, as at the date of this report, the Group has no specific plans regarding significant investments or capital assets. However, the Group will continue to seek investment opportunities to align with our strategic development domestically and internationally, thereby enhancing our sustainable and stable development.

## CONTINGENT LIABILITIES

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

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group engaged a total of 142 employees (30 June 2023: 180) including the Directors. During the Reporting Period, total staff costs (including equity-settled share-based payment to Directors) amounted to approximately RMB14.6 million (the corresponding period of last year: approximately RMB18.3 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.qtbjgj.com](http://www.qtbjgj.com)) on 20 September 2024.

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

1. As of the date of this report, as disclosed in the 2022/23 annual report of the Company, three wealth management products with the aggregate principal amount of RMB10 million remain outstanding and are past due.

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 during the last financial year. During the Reporting Period, the Group has provided in full for investment losses on the abovementioned wealth management products for the balance of the previous financial year for which no provision for investment losses had been made.

# MANAGEMENT DISCUSSION AND ANALYSIS

According to the notification of Chaoyang Branch of Beijing Municipal Public Security Bureau (北京市公安局朝陽分局) on 25 November 2023, it has recently launched an investigation into the wealth companies affiliated to “ZEG” for suspected illegal crimes in accordance with the law. In order to comprehensively investigate the case and full recovery of monies and losses lost to fraud, investors are requested to register the case through one of three methods: online, mail, or on-site reporting. It is reported that Zhongzhi International Investment Holding Group Co., Ltd.\* (中植國際投資控股集團有限公司) and Zhongzhi Automobile Anhui Co., Ltd.\* (中植汽車安徽有限公司) also fall within the scope of investigation. Therefore, the Group has completed the reporting procedures for the abovementioned wealth management products subscribed as required by the Chinese public security authorities.

In addition, Beijing No. 1 Intermediate People’s Court ruled on 5 January 2024 that the petition for bankruptcy and liquidation of Zhongzhi Enterprise Group Co., Ltd. \* (中植企業集團有限公司) was accepted.

The Group will closely monitor the progress of the aforesaid matters in the future and will comprehensively consider various feasible legal measures in order to minimise investment losses and protect the interests of the Shareholders.

2. Litigation: References are made to the announcements of the Company dated 25 January 2022, 2 June 2023 and 24 January 2024 (the “**Announcements**”) and the circular of the Company dated 25 March 2022 (the “**Circular**”) in relation to, among other matters, (i) the entering into of the agreement for the provision of financial assistance by way of pledge of properties of the Group and (ii) the receipt of written notice dated 15 May 2023 from the Bank requesting Sichuan Greenland to observe and perform its obligations under the pledge if the Borrower fails to make repayment. ; (iii) the judgement of the Dongguan Third Primary People’s Court, Guangdong (廣東省東莞市第三人民法院) (the “**Court**”) handed down on 16 January 2024 (the “**Jan 2024 Judgment**”) confirming the disposal rights of the bank to enforce the pledge and sell the properties by auction in settlement of the liability owed by the borrower to the bank in light of the borrower’s failure to perform its repayment obligation regarding the loan.

Appeal was made by Sichuan Greenland to the Dongguan Intermediate People’s Court, Guangdong (廣東省東莞市中級人民法院) (the “**Intermediate People’s Court**”) to reverse or vary the decision of the Court or remand the case. The bank also made an appeal to vary the decision. The hearing was held on 28 May 2024 and the civil judgment of the Intermediate People’s Court was handed down on 7 June 2024 (the “**June 2024 Judgment**”), pursuant to which, among others, the appeal of Sichuan Greenland and the bank was dismissed and the original judgment (i.e. Jan 2024 Judgment) was upheld, and the June 2024 Judgment is final.

As disclosed in the annual report of our Company for the previous financial year, the Group has made an impairment loss of approximately RMB49.8 million on assets (i.e., the properties).

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group has also filed a lawsuit with the court regarding the abovementioned matters and has taken pre-litigation property preservation measures against the Borrower and its subsidiary(ies), and has obtained acceptance from the Dongguan Third Primary People's Court, Guangdong. According to the Court's default judgement dated 20 June 2024: the defendant, Dongguan Yaobang Group Co., Ltd.\* (東莞市耀邦集團有限公司) and Luo Jinyao, at their own cost and expense, shall release the real estate mortgage provided by Sichuan Greenland Furniture Industrial Co., Limited\* (四川青田傢俱實業有限公司) for Dongguan City Hengli Furniture Corporate Co., Ltd.\* (東莞市恒利家私實業有限公司) to borrow from the Dongguan Qiaotou Branch of the Industrial and Commercial Bank of China Limited. The defendant (same as the above) is required to pay the annual fee for property mortgage and interest thereon to the plaintiff, Zhi Sheng Group Holdings Limited, within five days from the date of entry into force of this judgement, and bear the attorney fees, acceptance fees, preservation fees, and other costs.

As of the date of this report, according to the aforementioned judgement, the defendant has not yet fulfilled the responsibilities and obligations undertaken. The Group will continue to take relevant measures to safeguard the interests of the Group.

In addition, the Group has been identifying other suitable location for relocation of the production base of the Group currently located at the Properties in case the Bank enforces the disposal rights. For specific details, please refer to the Voluntary announcement of the Group dated 24 January 2024 in respect of the business update.

3. At the extraordinary general meeting of the Company held on 7 February 2024 for the purpose of voting in respect of (1) proposed Share Consolidation; (2) proposed Increase in Authorised Share Capital; and (3) subscription of 2024 Convertible Bonds under the Specific Mandate, the Group is authorised:
  - (1) to consolidate every ten (10) issued and unissued shares of par value of HK\$0.01 each in the share capital of the Company into one (1) share of par value of HK\$0.1 each (the "**Consolidated Share(s)**"), and such Consolidated Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions as contained in the articles of association of the Company.
  - (2) to increase the Authorised Share Capital of the Company from HK\$15,000,000 divided into 150,000,000 Consolidated Shares of par value of HK\$0.1 each to HK\$30,000,000 divided into 300,000,000 Consolidated Shares of par value of HK\$0.1 each by the creation of an additional 150,000,000 Consolidated Shares.

\* For identification purposes only



## MANAGEMENT DISCUSSION AND ANALYSIS

- (3) to approve, confirm and ratify the two conditional subscription agreements dated 3 January 2024 entered into between the Company as issuer and each of the two subscribers as the subscriber in relation to the issue of Convertible Bonds in the aggregate principal amount of HK\$12,400,000 at the initial conversion price of HK\$0.683 per Conversion Share (subject to adjustments) and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of conversion rights attaching to the Convertible Bonds).

Assuming the Share Consolidation becoming effective, based on the initial Conversion Price of HK\$0.683 per Conversion Share, a total of 18,155,197 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the 2024 Convertible Bonds in full, representing (i) approximately 20.01% of the total number of Shares in issue as at the date of this report, and (ii) approximately 16.67% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the 2024 Convertible Bonds (assuming that there will be no change in the issued share capital of the Company from the date of this report and up to conversion of the 2024 Convertible Bonds in full at the initial Conversion Price). The Conversion Shares will be allotted and issued under the Specific Mandate approved by the Shareholders at the extraordinary general meeting. The subscription price of the 2024 Convertible Bonds in the aggregate amount of HK\$12,400,000 payable by the Subscribers under the Subscription Agreements shall be satisfied by way of offsetting in full on a dollar-to-dollar basis against the outstanding aggregate principal amount of the 2020 Convertible Bonds of HK\$12,400,000 payable by the Company to the Subscribers at maturity of the 2020 Convertible Bonds.

Shareholders and potential investors of the Company should note that all the conditions to the Share Consolidation and the Increase in Authorised Share Capital have been fulfilled and these matters will become effective on Wednesday, 14 February 2024. As a result of the Share Consolidation, adjustments are made in relation to the Share Options. Such adjustments will become effective on Wednesday, 14 February 2024. On 26 February 2024, the Board is pleased to announce that all the conditions precedent set out in the Subscription Agreements have been fulfilled and the completion of the subscription of the 2024 Convertible Bonds in an aggregate principal amount of HK\$12,400,000 to the Subscribers took place on 26 February 2024.

For specific details of the above matters, please refer to the announcements issued by the Group on 3 January, 22 January, 9 February and 26 February 2024, and the poll results of the extraordinary general meeting held on 7 February 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

4. The Board is pleased to announce that on 1 February 2024, Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司), a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company (as the lessee), entered into the Factory Lease Agreement with Guangdong Newbakers Industrial Co., Ltd.\* (廣東新比克斯實業股份有限公司) (as the lessor), being an Independent Third Party, in respect of leasing the Property for a lease term of ten years commencing from 1 February 2024 to 31 January 2034 (both days inclusive). Pursuant to HKFRS16, the Company will recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Property under the Factory Lease Agreement. Therefore, the entering into the Factory Lease Agreement and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group under the GEM Listing Rules. The unaudited value of right-of-use assets to derecognized by the Company under the Factory Lease Agreement amounted to approximately RMB11.6 million. For details, please refer to the announcement of the Group dated 1 February 2024.

As of the date of this report, saved as aforesaid, the Group has no discloseable matters which are yet to be disclosed.

## EVENTS AFTER THE REPORTING PERIOD

References are made to the announcement dated 3 January 2024 and the circular dated 22 January 2024 (the "Circular") of the Company in relation to, among others, the issue of the 2024 Convertible Bonds in the principal amount of HK\$12,400,000 in aggregate. On 2 September 2024 (after trading hours), the Company entered into the Supplemental Deed Poll to, subject to fulfilment of certain conditions, change the maturity date of the 2024 Convertible Bonds to 19 February 2025 (with related consequential amendments as a result). Save for such Amendments, all other terms and conditions of the 2024 Convertible Bonds remain unchanged, valid and in full force. For details, please refer to the announcement of the Group dated 2 September 2024 in relation to amendment of terms of the 2024 Convertible Bonds.

As of the date of this report, saved as aforesaid, the Group has no disclosable subsequent events 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 purposes 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 2024 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 20 October 2023 (the "2023 AGM"). Representative(s) of the external auditor, ZHONGHUI ANDA CPA Limited, also attended the 2023 AGM. The Company considers that the members of the Board who attended the 2023 AGM were able to sufficiently answer questions from shareholders at the 2023 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 68 to 70 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.

# CORPORATE GOVERNANCE REPORT

## 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 eight 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. Meanwhile, an extraordinary general meeting was held. Details of the attendance of Directors are as follows:

Name of Directors	Attendance/Number of meetings					Annual	Extraordinary
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting	General Meeting	
Executive Directors:							
Mr. Yi Cong	8/8	-	-	-	1/1	1/1	
Mr. Liang Xing Jun	8/8	-	-	-	1/1	1/1	
Mr. Ma Gary Ming Fai	8/8	-	-	-	1/1	1/1	
Mr. Lai Ningning	4/8	-	-	-	1/1	1/1	
Non-executive Director:							
Mr. Luo Guoqiang	8/8	-	-	-	1/1	1/1	
Independent Non-executive Directors:							
Mr. Chan Wing Kit	8/8	3/3	1/1	1/1	1/1	1/1	
Ms. Cao Shao Mu	7/8	3/3	1/1	1/1	1/1	1/1	
Mr. Li Saint Chi Sainti	8/8	3/3	1/1	1/1	1/1	1/1	

# CORPORATE GOVERNANCE REPORT

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.

# CORPORATE GOVERNANCE REPORT

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 50 to 51 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.

# CORPORATE GOVERNANCE REPORT

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 35 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 35 in this report.



# CORPORATE GOVERNANCE 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 1,000,000	3

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 13 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.

# CORPORATE GOVERNANCE REPORT

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

- (a) 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 35 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.

# CORPORATE GOVERNANCE 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 71 to 75 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	700
Non-audit service for the Reporting Period	10
Total	710

## 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.

# CORPORATE GOVERNANCE REPORT

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.qtbj.com](http://www.qtbj.com)).

### General Meetings with Shareholders

The Company’s annual general meeting will be held on 14 October 2024.

# CORPORATE GOVERNANCE REPORT

## 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@qtbj.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.

# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

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.

# CORPORATE GOVERNANCE REPORT

## 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	The furniture industry amid the cooling of the real estate sector is still undergoing accelerated restructuring; and the existing business model of data centres lacks unique competitive advantages
Compliance Risks	Risk of not receiving timely updates on laws, listing rules, and accounting standards in the Group, and the risk of not having a timely understanding of tax laws and regulations in the furniture segment
Operational Risks	Contract management and execution risk in the furniture segment, the risk of human resource supply and demand imbalance; and management and performance management and incentive mechanism deficiency risk in the data centre
Financial Risks	Furniture segment is susceptible to bad debt risk for major sales contracts without pre-payment terms for progress payments; and data center is susceptible to bad debt risk for outsourced service contracts with quarterly billing and no pre-payment deposit terms.

# CORPORATE GOVERNANCE REPORT

## 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 ([www.qtbj.com](http://www.qtbj.com)) 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 furniture products. The products are sold to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City, the Tibet Autonomous Region 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.

During the Reporting Period, the Group established Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司), which is principally engaged in the manufacture and sale of furniture and furniture products, through the investment of WNT. WNT controls 51% of the shareholding of the company. It aims to enable the furniture business to quickly overcome its operational challenges, establish diversified operations in furniture, and strive to stabilise our revenue.

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 RMB28.6 million, which represented approximately 77.1% of its sale volume of the furniture business for the Reporting Period, and approximately 49.8% 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	172
Value of total tenders submitted	RMB74.0 million
Number of tenders won	163
Success rate (by number of tenders submitted)	94.8%
Success rate (by value of tenders submitted)	51.0%

# REPORT OF THE BOARD OF DIRECTORS

## 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.

The extraordinary general meeting of the Company was held on 7 February 2024 to approve the consolidation of every ten (10) issued and unissued shares of par value HK\$0.01 each in the share capital of the Company into one (1) share of par value HK\$0.1 (the “Consolidated Share(s)”) and to approve the increase of the authorised share capital of the Company from HK\$15,000,000 divided into 150,000,000 Consolidated Shares of par value HK\$0.1 each to HK\$30,000,000 divided into 300,000,000 Consolidated Shares of par value HK\$0.1 each, by the creation of an additional 150,000,000 new Consolidated Shares. The abovementioned share consolidation and increase in authorised capital have become effective on 14 February 2024, and the authorised share capital of the Company has become HK\$30,000,000 divided into 300,000,000 Consolidated Shares of HK\$0.1 each, of which 90,733,332 Consolidated Shares of HK\$0.1 each are in issue.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 35 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;

# REPORT OF THE BOARD OF DIRECTORS

- (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 76 to 141 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 2024 (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 142 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 16 to the consolidated financial statements.

## BANK BORROWING

As of 30 June 2024, 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 2024, the distributable reserves of the Company amounted to approximately RMB11.8 million.

# REPORT OF THE BOARD OF DIRECTORS

## 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.

## 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 68 to 70 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.

# REPORT OF THE BOARD OF DIRECTORS

## **(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 13 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 Company were entered into or subsisted during the Reporting Period.

# REPORT OF THE BOARD OF DIRECTORS

## 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 2024, 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)	26,330,040 (Long position)	29.02%
Mr. Yi Cong ("Mr. Yi")	Interest of spouse (Note 2)	8,040,000 (Long position)	8.86%
Mr. Lai Ningning ("Mr. Lai")	Beneficial owner (Note 3)	10,000,000 (Long position)	11.02%
Mr. Li Saint Chi Sainti ("Mr. Li")	Beneficial owner (Note 4)	200,000 (Long position)	0.2204%

Notes:

- 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. During the Reporting Period, the shares of the Company held by Sun Universal Limited increased by 1,800,000. As at 30 June 2024, 26,330,040 shares were beneficially held by Sun Universal Limited, representing approximately 29.02% of the issued share capital of the Company.
- 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.
- 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 10,000,000 subscription shares at the subscription price (share options have been adjusted after the share consolidation on 14 February 2024). 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)
- 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 200,000 subscription shares at the subscription price (share options have been adjusted after the share consolidation on 14 February 2024). 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)
- Based on the total number of 90,733,332 ordinary shares in issue as at 30 June 2024 as all conditions for the share consolidation on 14 February 2024 have been fulfilled.

# REPORT OF THE BOARD OF DIRECTORS

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 2024, 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 5)
Sun Universal Limited ("Sun Universal")	Beneficial owner	26,330,040 (Long position)	29.02%
Ms. Hung Fung King Margaret ("Ms. Hung")	Interest of spouse (Note 1)	26,330,040 (Long position)	29.02%
Brilliant Talent Global Limited ("Brilliant Talent")	Beneficial owner (Note 2)	8,040,000 (Long position)	8.86%
Ms. Zhang Gui Hong ("Ms. Zhang")	Interest in a controlled corporation (Note 2)	8,040,000 (Long position)	8.86%
Subscriber A	Beneficial owner (Note 3)	14,524,158 (Long position)	16.01%
Subscriber B	Beneficial owner (Note 4)	5,697,705 (Long position)	6.28%

Notes:

- 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.
- 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.

# REPORT OF THE BOARD OF DIRECTORS

3. Pursuant to the 2024 Convertible Bond Subscription Agreement (note 27 to the consolidated financial statements), the Company conditionally allotted the Convertible Bonds to Subscriber A, which entitles the placee to convert up to 14,524,158 shares of the Company at the Conversion Price. Upon full conversion, its shareholding represents approximately 16.01% of the existing issued share capital of the Company. Subscriber A is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Subscriber A is wholly-owned by Ms. Grace Wahyuni Sardjono, whose brother-in-law, Mr. Man Lap, is interested in 3,153,600 Shares, representing approximately 3.48% of the entire issued share capital of the Company as at the Latest Practicable Date. During the Reporting Period, the Convertible Bonds were not converted by Subscriber A.
4. Pursuant to the 2024 Convertible Bond Subscription Agreement (note 27 to the consolidated financial statements), the Company conditionally allotted the Convertible Bonds to Subscriber B, which entitles the placee to convert up to 3,631,039 shares of the Company at the Conversion Price. Subscriber B is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Subscriber B is wholly-owned by Mr. Fang Yan Zau Alexandar. As at the Latest Practicable Date, Subscriber B held 2,066,666 Shares, representing approximately 2.28% of the entire issued share capital of the Company, and after the Full Conversion, Subscriber B's shareholding totaled 5,697,705 Shares, representing approximately 6.28% of the existing issued share capital of the Company. The Convertible Bonds were not converted by Subscriber B during the Reporting Period.
5. Based on the total number of 90,733,332 ordinary shares in issue as at 30 June 2024 as all conditions for the share consolidation on 14 February 2024 have been fulfilled .

Save as disclosed above, as at 30 June 2024, 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 2016). 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.



# REPORT OF THE BOARD OF DIRECTORS

## **(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.

# REPORT OF THE BOARD OF DIRECTORS

## (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.

# REPORT OF THE BOARD OF DIRECTORS

## **(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.

# REPORT OF THE BOARD OF DIRECTORS

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.

# REPORT OF THE BOARD OF DIRECTORS

## (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 6,500,000 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 2 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 200,000 share options to Mr. Li to subscribe for a total of 200,000 Shares under the Share Option Scheme, at an exercise price of HK\$2.2 per share (share options have been adjusted after the share consolidation on 14 February 2024). 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 200,000 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 2024, 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 (after the share consolidation on 14 February 2024, adjustments have been made to the number and exercise price of shares to be issued upon exercise of all options, same for the below). 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 1,000,000 options).

# REPORT OF THE BOARD OF DIRECTORS

## (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 10,000,000 subscription shares.

Upon full exercise of the options, a total of 10,000,000 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 10,000,000 subscription shares under the Share Option Deed shall be exercisable according to the following exercise period:

- (1) 4,000,000 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) 3,000,000 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) 3,000,000 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.

# REPORT OF THE BOARD OF DIRECTORS

## **(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\$3.5 per subscription share, which represent (1) a premium of approximately 4.48% over the closing price of HK\$3.35 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\$3.46 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\$3.8 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 10,000,000 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 10 months (since the date of publication of the annual report).

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.

# REPORT OF THE BOARD OF DIRECTORS

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, 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 2024 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 9.7% and approximately 42.3% (Previous Reporting Period: 35.1% and approximately 55.5%) of the total revenue of the Group, respectively. The Group's purchase from the largest and the five largest suppliers accounted for approximately 31.6% and approximately 58.7% (Previous Reporting Period: 38.1% and approximately 69.1%) 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. 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. Due to the phased completion of the buildout management project in the previous year, no revenue could be recognised from the customer during the Reporting Period. 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

For significant events during the Reporting Period, please refer to the section headed "Management Discussion and Analysis — Significant Events during the Reporting Period" in this report, the discussion and information in which constitute part of this report of the board of the directors.

## CONNECTED/RELATED PARTY TRANSACTIONS

On 2 June 2021, a conditional loan agreement was entered into between the Company as lender and Mega Data Investment Ltd. (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 (actually providing RMB 50,000,000 to the SPV (the "Loan")). The SPV is a special purpose vehicle for the purpose of the formation of a JV. The SPV is owned as to 50% by Cloud Knight Global Limited ("Cloud Knight"), which in turn is wholly owned by Mr. Man Lap and as to 50% by Lightning Cloud Limited ("Lightning Cloud"), which in turn is wholly owned by Mr. Lai, an executive Director of the Company.



# REPORT OF THE BOARD OF DIRECTORS

Since Mr. Lai is an executive Director of the Company, the following transactions completed during the FY2021 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.

## **Reasons for entering into the abovementioned SPV Loan Agreement and how it aligns with the Company's business strategy**

The Loan was granted as it provides a good business opportunity for the Group with stable interest income. The Loan was used by the SPV to make subsequent capital and other contributions to Cloud Treasure Investment Limited (the "JV"), a partially owned joint venture of the SPV, for the establishment, operation and/or investment of data center business in the PRC. The SPV Loan Agreement together with a buildout construction management agreement dated 1 June 2021 entered into between Beijing Wannuotong Technology Company Limited (北京萬諾通科技有限公司) ("WNT"), a subsidiary of the Company, and Gu'an Fu'ai Electronics Co. Ltd., a subsidiary of the Joint Venture which is owned as to 100% by the Joint Venture through its subsidiaries, was entered into as part of a series of transactions. Pursuant to the agreement, WNT provides engineering and management services in relation to the buildout construction of data centers. Please also refer to the announcement of the Company dated 2 June 2021, the circular dated 16 July 2021 and the announcement dated 2 August 2021 for further details of the Loan and the buildout construction management agreement.

As the data centre business is of the main business segments of the Group, the Company believes that the abovementioned transaction is overall in line with the Company's business strategy for developing this business segment.

# REPORT OF THE BOARD OF DIRECTORS

Set out below are the principal terms of the SPV Loan Agreement.

Date 2 June 2021

Principal up to RMB100,000,000 in HK\$ equivalents

As at the date of announcement, the principal of the Loan amounted to RMB50,000,000.

According to the terms of the SPV Loan Agreement, the Loan shall be utilised only by the SPV for onward capital and other contribution to the JV. The outstanding Loan amount shall at any time not exceeding 30% of the accumulated capital contribution of the SPV to the JV.

Interest rate 6% per annum, payable on or before 31 December of each year

Term The Loan shall be drawn down in two tranches. The tranche 1 of the Loan shall be in the principal amount of not less than HK\$55,000,000 and shall be drawn within 90 days upon signing of the SPV Loan Agreement (or such longer period as the Company may agree). The tranche 2 of the Loan shall be drawn within one year upon signing of the SPV Loan Agreement (or such longer period as the Company may agree) subject to, among others, availability of the financial resources of the Company.

Subject to the fulfillment of conditions precedent of the SPV Loan Agreement, the availability period of the Loan shall be available from 60 days after the date of the SPV Loan Agreement up to the date falling 12 months from signing of the SPV Loan Agreement (or such other period as may be agreed by the parties thereto).

As at the date of this report, the tranche 1 of the Loan has been drawn on 10 August 2021, and the tranche 2 of the loan has yet to be withdrawn.

Collateral Share charge to be executed by each of Cloud Knight and Lightning Cloud in favour of the Company in respect of the entire issued share capital of the SPV. Personal guarantees to be executed by each of Mr. Man and Mr. Lai.

Repayment The SPV shall repay the principal amount of the Loan together with interest accrued thereon on or before 30 months from the drawdown date of the tranche 1 of the Loan (i.e. 10 February 2024). The Company has the right to demand early repayment of all or part of the outstanding loan amount.

# REPORT OF THE BOARD OF DIRECTORS

In FY2021, 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 RMB1.8 million, and both the principal and interest income of the above borrowings have been recovered as scheduled after the loan agreement matured. During the Reporting Period, the Company borrowed an interest-free, unsecured loan of approximately RMB16.3 million from the SPV. As of 30 June 2024, the outstanding balance of the loan was approximately RMB14.8 million. During the Reporting Period, the buildout management service income from subsidiaries of the abovementioned connected companies was approximately RMB0. For details of related party transactions, please refer to Note 34 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 13 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 33 to 46 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 2024, 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.

# REPORT OF THE BOARD OF DIRECTORS

## 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.

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, 8 October 2024 to Monday, 14 October 2024, 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, 7 October 2024.

\* For identification purpose only

# REPORT OF THE BOARD OF DIRECTORS

## 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 20 October 2023 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, 20 September 2024

# BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Yi Cong (易聰)**, aged 60, 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 8,040,000 shares of the Company (after the share consolidation on 14 February 2024). 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 61, 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 60, 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 26,330,040 shares (after the share consolidation on 14 February 2024) or approximately 29.02% 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 47, 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 10,000,000 subscription shares (share options have been adjusted after share consolidation on 14 February 2024) 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 53, 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 52, 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 63, 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 64, 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 46, is the vice general manager responsible for the sales function of the Group and the general manager of Sichuan Greenland. 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 47, 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. Yuen Lai Sheung (袁麗嫦)**, aged 55, 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.

\* For identification purpose only



# INDEPENDENT AUDITOR'S REPORT



**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 76 to 141, which comprise the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2024, 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.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB38,911,000 for the year ended 30 June 2024. This condition indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# INDEPENDENT AUDITOR'S REPORT

## 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Trade, lease and other receivables

Refer to Note 22 to the consolidated financial statements

The Group tested the amount of trade, lease and other receivables for impairment. This impairment test is significant to our audit because the balance of trade, lease and other receivables of RMB18,073,000, net of impairment loss of RMB26,680,000 as at 30 June 2024 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; 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.

# INDEPENDENT AUDITOR'S REPORT

## Goodwill

Refer to Note 18 to the consolidated financial statements

The Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the balance of goodwill of HK\$21,073,000 as at 30 June 2024 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 cash generating units;
- Assessing the arithmetical accuracy of the value-in-use 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 is supported by the available evidence.

# INDEPENDENT AUDITOR'S REPORT

## 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 requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

# INDEPENDENT AUDITOR'S REPORT

## 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/Our-views/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, 20 September 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Revenue</b>	8	<b>57,476</b>	110,831
Cost of sales		(53,791)	(100,007)
<b>Gross profit</b>		<b>3,685</b>	10,824
Other (loss)/income, net	9	(2,385)	5,040
Selling and distribution expenses		(6,629)	(6,418)
Administrative and other expenses		(19,185)	(20,250)
Impairment loss on assets	12	(6,947)	(62,680)
<b>Loss from operations</b>		<b>(31,461)</b>	(73,484)
Finance costs	10	(7,395)	(9,880)
<b>Loss before tax</b>		<b>(38,856)</b>	(83,364)
Income tax (expense)/credit	11	(55)	4,168
<b>Loss for the year</b>	12	<b>(38,911)</b>	(79,196)
<b>Other comprehensive income/(expense) after tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		5,870	(4,980)
<b>Total comprehensive expenses for the year</b>		<b>(33,041)</b>	(84,176)
<b>Loss for the year attributable to:</b>			
Owners of the Company		(38,469)	(79,196)
Non-controlling interests		(442)	–
		(38,911)	(79,196)
<b>Total comprehensive expenses for the year attributable to:</b>			
Owners of the Company		(32,599)	(84,176)
Non-controlling interests		(442)	–
		(33,041)	(84,176)
<b>Loss per share</b>			(Restated)
Basic and diluted (RMB cents)	15	(42.40)	(87.28)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	16	2,207	2,656
Right-of-use assets	17	11,075	3,326
Goodwill	18	21,073	23,109
		<b>34,355</b>	29,091
<b>Current assets</b>			
Inventories	20	13,984	10,338
Contract assets	21	676	11,587
Trade, lease and other receivables	22	18,073	39,304
Loan receivables	23	–	50,000
Cash and cash equivalents	24	22,076	33,761
		<b>54,809</b>	144,990
<b>Current liabilities</b>			
Contract liabilities	21	2,932	3,971
Trade and other payables	25	43,410	39,614
Lease liabilities	26	537	3,739
Convertible bonds	27	–	77,899
Tax payable		1,407	1,509
		<b>48,286</b>	126,732
<b>Net current assets</b>		<b>6,523</b>	18,258
<b>Total assets less current liabilities</b>		<b>40,878</b>	47,349
<b>Non-current liabilities</b>			
Lease liabilities	26	11,099	–
Convertible bonds	27	9,444	–
		<b>20,543</b>	–
<b>NET ASSETS</b>		<b>20,335</b>	47,349

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
<b>Capital and reserves</b>			
Share capital	29	8,016	8,016
Reserves	31	11,781	39,333
Equity attributable to owners of the Company		19,797	47,349
Non-controlling interests		538	–
<b>TOTAL EQUITY</b>		<b>20,335</b>	47,349

The consolidated financial statements on pages 76 to 141 were approved and authorised for issue by the Board of Directors on 20 September 2024 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 2024

	Attributable to owners of the Company										
	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	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
<b>At 1 July 2022</b>	8,016	187,196	22,217	16,575	(11,131)	4,608	(11,422)	(88,138)	127,921	-	127,921
Loss for the year	-	-	-	-	-	-	-	(79,196)	(79,196)	-	(79,196)
Other comprehensive expense:											
Exchange difference arising on translating of foreign operations	-	-	-	-	-	-	(4,980)	-	(4,980)	-	(4,980)
Total comprehensive expense for the year	-	-	-	-	-	-	(4,980)	(79,196)	(84,176)	-	(84,176)
Recognition of equity-settled share-based payment expense (Note 28)	-	-	-	3,604	-	-	-	-	3,604	-	3,604
Transfer to statutory reserves	-	-	-	-	-	150	-	(150)	-	-	-
<b>At 30 June 2023</b>	8,016	187,196	22,217	20,179	(11,131)	4,758	(16,402)	(167,484)	47,349	-	47,349
<b>At 1 July 2023</b>	8,016	187,196	22,217	20,179	(11,131)	4,758	(16,402)	(167,484)	47,349	-	47,349
Loss for the year	-	-	-	-	-	-	-	(38,469)	(38,469)	(442)	(38,911)
Other comprehensive income:											
Exchange difference arising on translating of foreign operations	-	-	-	-	-	-	5,870	-	5,870	-	5,870
Total comprehensive expense for the year	-	-	-	-	-	-	5,870	(38,469)	(32,599)	(442)	(33,041)
Redemption of convertible bonds	-	-	(22,217)	-	-	-	-	22,217	-	-	-
Issue of convertible bonds (note 27)	-	-	4,771	-	-	-	-	-	4,771	-	4,771
Recognition of equity-settled share-based payment expense (Note 28)	-	-	-	276	-	-	-	-	276	-	276
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	980	980
<b>At 30 June 2024</b>	8,016	187,196	4,771	20,455	(11,131)	4,758	(10,532)	(183,736)	19,797	538	20,335

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	2024	2023
Note	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
<b>Loss before tax</b>	<b>(38,856)</b>	(83,364)
Adjustments for:		
Bank interest income	(234)	(124)
Depreciation of right-of-use assets	3,807	3,706
Depreciation of property, plant and equipment	828	4,153
Equity-settled share-based payments	276	3,604
Finance costs	7,395	9,880
Impairment loss on goodwill	2,036	2,088
Impairment loss on property, plant and equipment	–	36,887
Impairment loss on contract assets	271	–
Impairment loss on right-of-use assets	–	12,863
Impairment loss on trade receivables and other receivables	4,640	10,842
Interest income arising from unwinding contract assets with significant financing component	(41)	(131)
Interest income from loan receivables	(1,836)	(3,000)
Interest income from other receivables	–	(1,174)
Net loss on written off and disposal of property, plant and equipment	–	59
Share-based payment arising from issue of convertible bonds	2,429	–
Write-down of inventories to net realisable value	5,886	2,070
<b>Operating losses before working capital changes</b>	<b>(13,399)</b>	(1,641)
Change in inventories	(9,532)	(1,657)
Change in contract assets	10,640	18,606
Change in trade, lease and other receivables	16,591	(706)
Change in contract liabilities	(1,039)	(29,670)
Change in trade and other payables	3,816	9,072
<b>Cash generated from/(used in) operations</b>	<b>7,077</b>	(5,996)
Income tax paid	(177)	(17)
Bank interest received	234	124
<b>Net cash generated from/(used in) operating activities</b>	<b>7,134</b>	(5,889)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	Note	2024 RMB'000	2023 RMB'000
<b>Cash flows from investing activities</b>			
Repayment of loan receivables		50,000	–
Purchase of debt instruments at amortised cost		–	(21,000)
Redemption of debt instruments at amortised cost		–	35,000
Interest received		1,877	2,802
Purchases of property, plant and equipment		(379)	(811)
Proceeds from disposal of property, plant and equipment		–	11
<b>Net cash generated from investing activities</b>		<b>51,498</b>	<b>16,002</b>
<b>Cash flows from financing activities</b>			
Contribution by non-controlling interests		980	–
Repayment of lease liabilities		(3,659)	(3,589)
Interests paid		(15,636)	(2,595)
Repayment of convertible bonds	36(b)	(57,568)	–
<b>Net cash used in financing activities</b>		<b>(75,883)</b>	<b>(6,184)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,251)</b>	<b>3,929</b>
Effect of foreign exchange rate changes		5,566	896
Cash and cash equivalents at beginning of year		33,761	28,936
<b>Cash and cash equivalents at end of year</b>		<b>22,076</b>	<b>33,761</b>
<b>Analysis of cash and cash equivalents</b>			
Bank and cash balances		22,076	33,761

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 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 35 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. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$38,911,000 for the year ended 30 June 2024. This condition indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Company. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors of the Company are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

## 3. 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 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRSs**”); 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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.

## 4. MATERIAL 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.

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 5 to the consolidated financial statements.

The material 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Consolidation (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

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

### Foreign currency translation

#### (a) Functional and presentation currency

Items included in the 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 of the Company consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

#### (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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Foreign currency translation (continued)

#### (c) Translation on consolidation (continued)

- (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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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%
Factory	10%

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.

#### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Goodwill (continued)

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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Loss allowances for expected credit losses (continued)

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Loss allowances for expected credit losses (continued)

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL 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.

### 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.

### Equity instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL 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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Taxation (continued)

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

Deferred tax 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 production 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 4. MATERIAL 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 5. 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 Beijing Wannuochi to gain 100% effective control over 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.

(b) **Going concern basis**

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 5. 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

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 19 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

### Key sources of estimation uncertainty (continued)

#### (c) 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.

## 6. 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 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% (2023: 14%) 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 contract assets, trade receivables and lease receivables are set out in Notes 21, 22(a) and 22 (b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

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.

### (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	Total contractual undiscounted cash flow	On demand or within one year	Between one and two years	Between two and five years	Over five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 30 June 2024</b>						
Trade and other payables	43,229	43,229	43,229	-	-	-
Lease liabilities	11,636	19,370	1,800	1,800	5,850	9,920
Convertible bonds	9,444	11,541	-	11,541	-	-
	<b>64,309</b>	<b>74,140</b>	<b>45,029</b>	<b>13,341</b>	<b>5,850</b>	<b>9,920</b>
<b>At 30 June 2023</b>						
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	-	-	-

### (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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Categories of financial instruments

	2024	2023
	RMB'000	RMB'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)		
Trade, lease and other receivables	11,947	9,564
Loan receivables	–	50,000
Cash and cash equivalents	22,076	33,761
	<b>34,023</b>	<b>93,325</b>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost		
Trade and other payables	43,229	39,378
Lease liabilities	11,636	3,739
Convertible bonds	9,444	77,899
	<b>64,309</b>	<b>121,016</b>

### (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.

## 7. 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 2024 and 2023, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 7. SEGMENT INFORMATION (CONTINUED)

### (a) Reportable segments revenue and results

	Furniture		Data Centre		Buildout management service		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue</b>								
Sale of furniture products	37,124	48,255	-	-	-	-	37,124	48,255
Information technology management service	-	-	438	1,607	-	-	438	1,607
Internet access connection service	-	-	211	279	-	-	211	279
Data centre operating and security service	-	-	170	85	-	-	170	85
Rental of server racks	-	-	19,533	21,677	-	-	19,533	21,677
Buildout management service	-	-	-	-	-	38,928	-	38,928
	<b>37,124</b>	<b>48,255</b>	<b>20,352</b>	<b>23,648</b>	<b>-</b>	<b>38,928</b>	<b>57,476</b>	<b>110,831</b>
Segment results	<b>(20,060)</b>	<b>(69,451)</b>	<b>(2,779)</b>	<b>(1,334)</b>	<b>(271)</b>	<b>920</b>	<b>(23,110)</b>	<b>(69,865)</b>
Unallocated expenses							<b>(10,911)</b>	<b>(7,070)</b>
Other income							<b>1,892</b>	<b>3,069</b>
Interest expense of convertible bonds							<b>(6,727)</b>	<b>(9,498)</b>
Loss before tax							<b>(38,856)</b>	<b>(83,364)</b>

The Group had no inter-segment transactions during the year ended 30 June 2024 and 2023.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 7. SEGMENT INFORMATION (CONTINUED)

### (b) Reportable segments assets and liabilities

	Furniture		Data Centre		Buildout management service		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	45,130	48,984	41,895	57,849	-	10,000	87,025	116,833
Loan receivables							-	50,000
Cash and cash equivalents							1,858	5,485
Unallocated corporate assets							281	1,763
							89,164	174,081
Segment liabilities	(27,798)	(13,596)	(12,442)	(30,696)	-	(1,645)	(40,240)	(45,937)
Convertible bonds							(9,444)	(77,899)
Unallocated corporate liabilities							(19,145)	(2,896)
							(68,829)	(126,732)

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 7. SEGMENT INFORMATION (CONTINUED)

### (c) Other segment information

	Furniture		Data Centre		Buildout management service		Unallocated		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	41	2	137	33	-	18	56	71	234	124
Interest income from other receivables	-	778	-	396	-	-	-	-	-	1,174
Interest income from loan receivables	-	-	-	-	-	-	1,836	3,000	1,836	3,000
Interest income arising from unwinding contract assets with significant financing component	41	131	-	-	-	-	-	-	41	131
Interest expense on lease liabilities	530	1	138	381	-	-	-	-	668	382
Interest expense on convertible bonds	-	-	-	-	-	-	6,727	9,498	6,727	9,498
Depreciation of right-of-use assets	481	341	3,326	3,365	-	-	-	-	3,807	3,706
Depreciation of property, plant and equipment	828	4,153	-	-	-	-	-	-	828	4,153
Loss on written off and disposal of property, plant and equipment	-	67	-	-	-	-	-	-	-	67
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 contract assets	-	-	-	-	271	-	-	-	271	-
Impairment loss on trade and other receivables	4,118	10,163	522	679	-	-	-	-	4,640	10,842
Impairment loss on goodwill	-	-	2,036	2,088	-	-	-	-	2,036	2,088
Additions to property, plant and equipment	379	811	-	-	-	-	-	-	379	811
Additions to right-of-use assets	11,556	-	-	54	-	-	-	-	11,556	54

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 7. 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.

	2024 RMB'000	2023 RMB'000
<b>Revenue from external customers</b>		
PRC	57,435	110,778
Hong Kong	41	53
	<b>57,476</b>	<b>110,831</b>

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 year, revenue derived from the customer from furniture segment is as follows:

	2024 RMB'000	2023 RMB'000
Customer A (Buildout management service)	–	38,928

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 8. REVENUE

	2024 RMB'000	2023 RMB'000
<b>Revenue from contracts with customer</b>		
Sale of furniture products	37,124	48,255
Information technology management service	438	1,607
Internet access connection service	211	279
Data centre operating and security service	170	85
Buildout management service	–	38,928
	<b>37,943</b>	<b>89,154</b>
<b>Revenue from other sources</b>		
Rental of server racks	19,533	21,677
	<b>57,476</b>	<b>110,831</b>

### 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:

	2024 RMB'000	2023 RMB'000
<b>Timing of revenue recognition</b>		
At a point in time	37,124	48,255
Overtime	819	40,899
	<b>37,943</b>	<b>89,154</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 8. 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	2024 RMB'000	2023 RMB'000
Year 1	9,812	6,766
Year 2	289	1,908
	10,101	8,674

## 9. OTHER (LOSS)/INCOME, NET

	2024 RMB'000	2023 RMB'000
Bank interest income	234	124
Exchange (loss)/gain, net	(4,750)	372
Interest income from loan receivables	1,836	3,000
Interest income from other receivables	–	1,174
Interest income arising from unwinding contract assets with significant financing component	41	131
Subsidy income	19	13
Gain on disposal of property, plant and equipment	–	8
Others	235	218
	(2,385)	5,040

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 10. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expense on lease liabilities	668	382
Interest expense on convertible bonds	6,727	9,498
	<b>7,395</b>	<b>9,880</b>

## 11. INCOME TAX EXPENSE/(CREDIT)

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for the year	55	455
Deferred tax	–	(4,623)
	<b>55</b>	<b>(4,168)</b>

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 years ended 30 June 2024 and 2023 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%.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 11. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

	2024	2023
	RMB'000	RMB'000
Loss before tax	(38,856)	(83,364)
Tax calculated at tax rate of 25%	(9,714)	(20,841)
Tax effect of expenses not deductible for tax purposes	2,643	4,552
Tax effect of deductible temporary differences not recognised	1,242	10,647
Tax effect of tax losses not recognised	6,104	1,904
Tax concession	(220)	(287)
Effect of different tax rates of subsidiaries	–	(143)
Income tax expense/(credit)	55	(4,168)

As at 30 June 2024, certain subsidiaries of the Group have unused tax losses of RMB48,787,000 (30 June 2023: RMB24,151,000) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 12. LOSS FOR THE YEAR

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

	2024 RMB'000	2023 RMB'000
Auditor's remuneration	652	638
Cost of inventories recognised as expense, including	33,091	43,764
— Write-down of inventories to net realisable value	5,886	2,070
Depreciation of right-of-use assets	3,807	3,706
Depreciation of property, plant and equipment	828	4,153
Loss on written off and disposal of property, plant and equipment	–	67
Gain on disposal of property, plant and equipment	–	(8)
Impairment loss on assets		
— goodwill	2,036	2,088
— property, plant and equipment	–	36,887
— contract assets	271	–
— right-of-use assets	–	12,863
— trade receivables and other receivables	4,640	10,842
	<b>6,947</b>	62,680
Share-based payment arising from issue of convertible bonds	2,429	–
Staff costs (including directors' emoluments)		
— Salaries, bonus and allowances	11,651	11,607
— Retirement benefits scheme contributions	2,686	3,132
— Equity-settled share-based payments	276	3,604
Total staff costs (including directors' emoluments)	<b>14,613</b>	18,343

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 13. 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
<i>For the year ended 30 June 2024</i>					
<b>Executive directors</b>					
Mr. Yi Cong	–	480	43	–	523
Mr. Liang Xing Jun	–	103	–	–	103
Mr. Ma Gary Ming Fai	106	–	–	–	106
Mr. Lai Ningning ("Mr. Lai")	–	–	–	276	276
<b>Non-executive director:</b>					
Mr. Luo Guoqiang	106	–	–	–	106
<b>Independent non-executive directors</b>					
Mr. Chan Wing Kit	106	–	–	–	106
Ms. Cao Shao Mu	106	–	–	–	106
Mr. Li Saint Chi Saini ("Mr. Li")	–	–	–	–	–
	424	583	43	276	1,326

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 13. 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
<i>For the year ended 30 June 2023</i>					
<b>Executive directors</b>					
Mr. Yi Cong	–	480	83	–	563
Mr. Liang Xing Jun	–	82	25	–	107
Mr. Ma Gary Ming Fai	106	–	–	–	106
Mr. Lai	–	–	–	3,604	3,604
<b>Non-executive director:</b>					
Mr. Luo Guoqiang	106	–	–	–	106
<b>Independent non-executive directors</b>					
Mr. Chan Wing Kit	106	–	–	–	106
Ms. Cao Shao Mu	106	–	–	–	106
Mr. Li	–	–	–	–	–
	424	562	108	3,604	4,698

Notes:

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 13. 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 2024 (2023: 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 2024 (2023: 3) are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	909	569
Retirement benefits scheme contributions	311	765
	1,220	1,334

Their emoluments were within the following band:

	2024 Number of individual	2023 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 2024 (2023: 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:

	2024 Number of individual	2023 Number of individual
Nil to HK\$1,000,000	3	3

## 14. DIVIDENDS

No dividend has been paid or declared during the year ended 30 June 2024 and 2023 nor has any dividend been declared since the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 15. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the year ended 30 June 2024 is based on the loss for the year attributable to owners of the Company of approximately HK\$38,469,000 (2023: approximately HK\$79,196,000) and the weighted average number of ordinary shares of 90,733,332 (2023: 90,733,332 ordinary shares, adjusted by the share consolidation completed) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the year ended 30 June 2024 and 2023.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Plant and machinery	Furniture and office equipment	Leasehold improvements	Buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 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 and 1 July 2023	635	7,467	595	4,661	55,270	68,628
Additions	–	32	237	110	–	379
At 30 June 2024	635	7,499	832	4,771	55,270	69,007
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS						
At 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 and 1 July 2023	252	5,420	369	4,661	55,270	65,972
Charge for the year	255	503	62	8	–	828
At 30 June 2024	507	5,923	431	4,669	55,270	66,800
CARRYING AMOUNTS						
At 30 June 2024	128	1,576	401	102	–	2,207
At 30 June 2023	383	2,047	226	–	–	2,656

As at 30 June 2024 and 2023, the Group's fully impaired buildings is pledged to secure the independent third party's borrowing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 17. RIGHT-OF-USE ASSETS

### Disclosures of lease-related items:

	2024 RMB'000	2023 RMB'000
Right-of-use assets		
— Leasehold land	—	—
— Factory	11,075	—
— Office premises	—	45
— Server racks	—	3,281
	11,075	3,326
Lease commitments of short-term leases	7,166	8,458
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Within one year	1,800	3,877
— Between one and two years	1,800	—
— Between two and five years	5,850	—
— Over five years	9,920	—
	19,370	3,877

	2024 RMB'000	2023 RMB'000
<b>Year ended:</b>		
Depreciation charge of right-of-use assets		
— Leasehold land	—	341
— Factory	526	—
— Office premises	—	84
— Server racks	3,281	3,281
	3,807	3,706
Lease interests	668	382
Expenses related to short-term leases	14,890	11,887
Impairment loss on right-of-use asset	—	12,863
Total cash outflow for leases	19,217	15,858
Additions to right-of-use assets	11,556	54

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 17. RIGHT-OF-USE ASSETS (CONTINUED)

### Disclosures of lease-related items: (continued)

As at 30 June 2024 and 2023, the Group's fully impaired leasehold land is pledged to secure the independent third party's borrowing.

The Group leases various factory, office premises and server racks. Lease agreements are typically made for fixed periods of 2-10 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.

## 18. GOODWILL

	RMB'000
COST	
At 1 July 2022, 30 June 2023, 1 July 2023 and 30 June 2024	30,827
ACCUMULATED IMPAIRMENT LOSSES	
At 1 July 2022	5,630
Impairment loss	2,088
At 30 June 2023 and 1 July 2023	7,718
Impairment loss	2,036
At 30 June 2024	9,754
CARRYING AMOUNTS	
At 30 June 2024	21,073
At 30 June 2023	23,109

## 19. IMPAIRMENT TESTING FOR GOODWILL

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 2024 and 2023, the Group's management has engaged Valplus to perform valuations for the purpose to assess the recoverable amounts of Data Centre CGU as at 30 June 2024 and 2023.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 19. IMPAIRMENT TESTING FOR GOODWILL (CONTINUED)

### 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% (2023: 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 13.1% (2023: 13.5%) per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

As at 30 June 2024, based on the assessment result, the recoverable amount of RMB21,073,000 is less than the carrying amount of RMB23,109,000. Impairment loss of RMB2,036,000 on its goodwill has been recognised for the year.

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.

## 20. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	2,726	2,747
Work in progress	954	331
Finished goods	10,304	7,260
	<b>13,984</b>	10,338

During year ended 30 June 2024, the Group has written down RMB5,886,000 (2023: RMB2,070,000) of its finished goods. The written down has been included in cost of sales.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 21. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2024 RMB'000	As at 30 June 2023 RMB'000	As at 1 July 2022 RMB'000
Contract assets	676	11,587	30,193
Contract liabilities	2,932	3,971	33,641
Contract receivables (included in trade receivables, net)	3,422	6,307	4,908

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

— one year	2,932	3,971
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	2024 RMB'000	2023 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	3,971	32,938

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

	2024		2023	
	Contract assets RMB'000	Contract liabilities RMB'000	Contract assets RMB'000	Contract liabilities RMB'000
Increase due to operations in the year	2,163	3,710	10,505	3,268
Transfer of contract assets to receivables	(12,844)	—	(29,242)	—
Transfer of contract liabilities to revenue	—	(4,749)	—	(32,938)
Impairment of contract assets	(271)	—	—	—
Unwinding QADs with significant financing component brought forward from prior years	41	—	131	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 21. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

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 2024, the Group elected simplified approach to measure lifetime ECLs on contract assets using probability default model. The Group's impaired contract assets of RMB271,000 (2023: nil) during the year ended 30 June 2024.

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

	2024 RMB'000	2023 RMB'000
Trade receivables (Note (a))	9,997	13,174
Lease receivables (Note (b))	3,483	4,761
Other receivables (Note (c))	14,636	12,044
Deposits (Note (c))	1,492	1,625
Prepayments (Note (d))	15,145	29,740
	44,753	61,344
Less: loss allowance	(26,680)	(22,040)
	18,073	39,304

### (a) Trade receivables

	2024 RMB'000	2023 RMB'000
Trade receivables, gross	9,997	13,174
Less: loss allowance	(6,575)	(6,867)
Trade receivables, net	3,422	6,307

As at 30 June 2024, included in gross trade receivables are trade receivables of RMB6,532,000 (2023: RMB9,940,000) and QAD receivables of RMB1,414,000 (2023: RMB1,208,000) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 22. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

### (a) Trade receivables (continued)

As at 30 June 2024, included in gross trade receivables are trade receivables of RMB2,051,000 (2023: RMB2,026,000) 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:

	2024 RMB'000	2023 RMB'000
Within 3 months	3,362	4,768
More than 3 months	6,635	8,406
	<b>9,997</b>	13,174

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:

	2024 RMB'000	2023 RMB'000
Current (not past due)	2,221	3,916
Less than 1 month past due	380	304
1 to 3 months past due	296	858
More than 3 months but less than 6 months past due	367	827
More than 6 months past due	158	402
	<b>3,422</b>	6,307

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 22. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

### (a) Trade receivables (continued)

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	6,867	6,975
Reversal of loss allowance for the year	(292)	(108)
At the end of the year	6,575	6,867

As at 30 June 2024, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for furniture segment of RMB6,532,000 (2023: RMB9,940,000) 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.

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
<b>At 30 June 2024</b>				
Current (not past due)	1.8	1,929	35	1,894
Less than 1 month past due	3.4	116	4	112
1 to 3 months past due	24.1	390	94	296
More than 3 months but less than 6 months past due	37.4	586	219	367
More than 6 months past due	100.0	3,511	3,511	-
		<b>6,532</b>	<b>3,863</b>	<b>2,669</b>

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
<b>At 30 June 2023</b>				
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	-
		<b>9,940</b>	<b>5,473</b>	<b>4,467</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 22. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

### (a) Trade receivables (continued)

As at 30 June 2024, the Group applied simplified approach to measure lifetime ECLs on the Group's QAD receivables for furniture segment of RMB1,414,000 (2023: RMB1,208,000) using probability-default model. The ECL rate was 69.9% (2023: 53.6%) and the loss allowance as at year ended was RMB989,000 (2023: RMB647,000).

As at 30 June 2024, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB2,051,000 (2023: RMB2,026,000) using probability-default model. The ECL rate was 84% (2023: 36.9%) and the loss allowance as at year ended was RMB1,723,000 (2023: RMB747,000).

### (b) Lease receivables

As at 30 June 2024, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB3,483,000 (2023: RMB4,761,000) using probability-default model. The ECL rate was 0.40% (2023: 0.25%) and the loss allowance as at year end was RMB14,000 (2023: RMB12,000).

### (c) Other receivables

- (i) As at 30 June 2024, among the other receivables, three (2023: three) debt instruments totaling RMB10,000,000 (2023: RMB10,000,000) were due from financial institutions and independent third party in the PRC. The debt instruments was overdue and the company provided fully impairment on the debt instruments.
- (ii) As at 30 June 2024, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB16,128,000 (2023: RMB13,669,000) using probability-default model and provided loss allowance of RMB11,072,000 (2023: RMB10,205,000) at the end of the year.

### (d) Prepayments

- (i) As at 30 June 2024, among the prepayments, approximately RMB14,267,000 (2023: RMB22,362,000) represented prepayments to suppliers for purchase of raw materials.
- (ii) As at 30 June 2024, the Group applied general approach to measure ECLs on the Group's prepayments of RMB15,145,000 (2023: RMB29,740,000) using probability-default model and provided loss allowance of RMB9,019,000 (2023: RMB4,956,000) at the end of the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 23. LOAN RECEIVABLES

	2024 RMB'000	2023 RMB'000
Loan receivables	–	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.

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 creditworthiness and the loan receivables were fully repaid during 2024.

## 24. CASH AND CASH EQUIVALENTS

As at 30 June 2024, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB19,518,000 (2023: RMB27,980,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 25. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	14,447	21,521
Other payables and accruals (Note)	28,782	17,857
Other tax payables	181	236
	<b>43,410</b>	<b>39,614</b>

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

	2024 RMB'000	2023 RMB'000
Within 3 months	7,765	14,822
More than 3 months	6,682	6,699
	<b>14,447</b>	<b>21,521</b>

### Note

At 30 June 2024, included in other payables was RMB5,665,000 and RMB14,776,000 (2023: RMB5,665,000 and RMB nil) due to the registered owner of Beijing Wannuotong and Mega Data Investment Ltd., respectively. The amounts were unsecured, interest-free and repayable on demand.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 26. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,800	3,877	537	3,739
Between one and two years	1,800	–	599	–
Between two and five years	5,850	–	5,589	–
Over five years	9,920	–	4,911	–
	19,370	3,877	11,636	3,739
Less: Future finance charges	(7,734)	(138)		
Present value of lease liabilities	11,636	3,739		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(537)	(3,739)
Amount due for settlement after 12 months			11,099	–

At 30 June 2024, the average effective borrowing rate was 11.67% (2023: 3.55% — 6.78%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

## 27. CONVERTIBLE BONDS

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 convertible bonds redeemed on 6 February 2024.

On 26 February 2024, the Company issued zero coupon convertible bonds with a principal amount of HK\$12,400,000, the “2024 Convertible Bonds” for setting off all outstanding amount payable of HK\$12,400,000 for the convertible bonds issued on 15 January 2020. The convertible bonds are denominated in HK\$ will mature in two 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\$0.683 per conversion share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 27. CONVERTIBLE BONDS (CONTINUED)

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.

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	77,899	64,835
Increase during the year:		
Fair value of the convertible bonds issued	13,869	–
Less: Amount classified as equity	(4,771)	–
Liability component on initial recognition	9,098	–
Interest expense	6,727	9,498
Interest paid	(14,968)	(2,213)
Redeemed	(69,008)	–
Exchange realignment	(304)	5,779
Liability component as at year ended	9,444	77,899

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 12.7%-14.50% to the liability component.

The principal amount of the convertible bonds as at 30 June 2024 is approximately RMB11,541,000 (2023: RMB69,236,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 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.

On 7 March 2024, the Company completed the consolidation of shares in issued shares of company and adjustment on exercise price of outstanding share options and number of share options was made.

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

	2024	2023 (restated)
Share options granted on 2 August 2021	10,000,000	10,000,000
Share options granted on 1 June 2022	200,000	200,000
	<b>10,200,000</b>	10,200,000

	2024		2023	
	Number of share options	Weighted average exercise price HK\$	Number of share options (restated)	Weighted average exercise price (restated) HK\$
Outstanding at the beginning of the year	10,200,000	3.5	10,200,000	3.5
Granted during the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	<b>10,200,000</b>	<b>3.5</b>	10,200,000	3.5
Exercisable at the end of the year				
Share options granted on 2 August 2021	10,000,000		7,000,000	
Share options granted on 1 June 2022	200,000		200,000	
	<b>10,200,000</b>		7,200,000	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 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 10,000,000 (restated) 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 2023	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2024
Mr. Lai	2/8/2021	Nil	2/8/2021-1/8/2025	4,000,000	-	-	-	4,000,000
		2/8/2021-1/8/2022	2/8/2022-1/8/2025	3,000,000	-	-	-	3,000,000
		2/8/2021-1/8/2023	2/8/2023-1/8/2025	3,000,000	-	-	-	3,000,000
				10,000,000	-	-	-	10,000,000
Exercisable at the end of the year								10,000,000

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 July 2022 (restated)	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2023 (restated)
Mr. Lai	2/8/2021	Nil	2/8/2021-1/8/2025	4,000,000	-	-	-	4,000,000
		2/8/2021-1/8/2022	2/8/2022-1/8/2025	3,000,000	-	-	-	3,000,000
		2/8/2021-1/8/2023	2/8/2023-1/8/2025	3,000,000	-	-	-	3,000,000
				10,000,000	-	-	-	10,000,000
Exercisable at the end of the year								7,000,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 28. SHARE OPTION SCHEME (CONTINUED)

### Share Option Deed (continued)

The options outstanding at the end of the year have a remaining contractual life of 1.09 years and the exercise price is HK\$3.5 (restated).

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 2024, an equity-settled share-based payment expense of approximately RMB276,000 was recognised by the Group. (2023, approximately RMB3,604,000).

### 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 200,000 (restated) 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.

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 2023	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2024
Mr. Li	1/6/2022	Nil	1/6/2022- 31/5/2026	200,000	-	-	-	200,000
Exercisable at the end of the year								200,000

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 July 2022 (restated)	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2023 (restated)
Mr. Li	1/6/2022	Nil	1/6/2022- 31/5/2026	200,000	-	-	-	200,000
Exercisable at the end of the year								200,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 28. SHARE OPTION SCHEME (CONTINUED)

### Share Option Scheme (continued)

The options outstanding at the end of the period have a remaining contractual life of 1.92 years and the exercise price is HK\$2.2 (restated).

For the year ended 30 June 2024 and 2023, no equity-settled share-based payment expense of was recognised by the Group.

## 29. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Authorised:		
Ordinary shares of HK\$0.1 (2023: HK\$0.01) each		
At 1 July 2022, 30 June 2023 and 1 July 2023	1,500,000,000	
Share consolidation	(1,350,000,000)	
Increase of authorised share capital	150,000,000	
At 30 June 2024	300,000,000	
Issued and fully paid:		
Ordinary shares of HK\$0.1 (2023: HK\$0.01) each		
At 1 July 2022, 30 June 2023 and 1 July 2023	907,333,333	8,016
Share consolidation	(816,600,001)	–
At 30 June 2024	90,733,332	8,016

Note:

On 7 March 2024, the Company completed the increase of authorised share capital and consolidation of shares in the issued shares of the Company whereby every ten issued and unissued ordinary shares of HK\$0.01 each were consolidated into one consolidated ordinary share of HK\$0.1 each.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 29. SHARE CAPITAL (CONTINUED)

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

	2024 RMB'000	2023 RMB'000
<b>Current liabilities</b>		
Trade and other payables	43,410	39,614
Convertible bonds	–	77,899
Lease liabilities	537	3,739
	<b>43,947</b>	121,252
<b>Non-current liabilities</b>		
Lease liabilities	11,099	–
Convertible bonds	9,444	–
	<b>20,543</b>	–
<b>Total debt</b>	<b>64,490</b>	121,252
Less: Cash and cash equivalents	<b>(22,076)</b>	(33,761)
Net debt	<b>42,414</b>	87,491
Total equity	<b>20,335</b>	47,349
Net debt to equity ratio	<b>209%</b>	185%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
<b>Non-current assets</b>		
Investment in a subsidiary	43,849	68,781
	<b>43,849</b>	68,781
<b>Current assets</b>		
Trade, lease and other receivables	71	1,433
Loan receivables	–	50,000
Cash and cash equivalents	1,766	5,349
	<b>1,837</b>	56,782
<b>Current liabilities</b>		
Trade and other payables	16,445	315
Convertible bonds	–	77,899
	<b>16,445</b>	78,214
<b>Net current liabilities</b>	<b>(14,608)</b>	(21,432)
<b>Total assets less current liabilities</b>	<b>29,241</b>	47,349
<b>Non-current liabilities</b>		
Convertible bonds	9,444	–
<b>NET ASSETS</b>	<b>19,797</b>	47,349
<b>Capital and reserves</b>		
Share capital	8,016	8,016
Reserves	11,781	39,333
<b>TOTAL EQUITY</b>	<b>19,797</b>	47,349



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 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 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 expense 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 and 1 July 2023	187,196	22,217	20,179	(2,617)	(187,642)	39,333
Loss for the year	-	-	-	-	(33,340)	(33,340)
Other comprehensive income:						
Exchange difference arising on translating of financial statements of the Company	-	-	-	741	-	741
Total comprehensive expense for the year	-	-	-	741	(33,340)	(32,599)
Redemption of convertible bonds	-	(22,217)	-	-	22,217	-
Issue of convertible bonds	-	4,771	-	-	-	4,771
Recognition of equity-settled share-based payment expense	-	-	276	-	-	276
At 30 June 2024	187,196	4,771	20,455	(1,876)	(198,765)	11,781

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 32. CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 June 2024 and 2023.

## 33. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2024 and 2023.

## 34. RELATED PARTY TRANSACTIONS

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

	2024 RMB'000	2023 RMB'000
<b>Amount due from a related company:</b>		
Long-term loan receivables — Mega Data Investment Ltd.	–	50,000
Interest receivables — Mega Data Investment Ltd.	–	1,503
<b>Amount due to a related company:</b>		
Other payable and accruals — Mega Data Investment Ltd.	14,776	–

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

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

	2024 RMB'000	2023 RMB'000
Interest income from Mega Data Investment Ltd.	1,836	3,000
Buildout management service income from Gu'an Fu'ai Electronics Co. Ltd.	–	38,928

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### (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:

	2024 RMB'000	2023 RMB'000
Fees	424	424
Salaries, allowance and benefits in kind	2,088	2,105
Pension scheme contributions	764	588
Equity-settled share option expenses	276	3,604
	<b>3,552</b>	<b>6,721</b>

## 35. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 30 June 2024 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) ("Sichuan Greenland")	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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 35. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (CONTINUED)

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	
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 Wannuoqi (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
Shangcheng Smart Home (Dongguan) Co Limited	The PRC, limited liabilities company	RMB2,000,000	–	51%	Manufacture and sale of furniture products, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

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

	Lease liabilities RMB'000	Liability component of Convertible Bonds RMB'000	Total liabilities from financing activities RMB'000
At 1 July 2022	7,274	64,835	72,109
Changes in cash flows	(3,971)	(2,213)	(6,184)
Non-cash changes			
— Addition	54	–	54
— Interest charged	382	9,498	9,880
— Exchange realignment	–	5,779	5,779
At 30 June 2023 and 1 July 2023	<b>3,739</b>	<b>77,899</b>	<b>81,638</b>
Changes in cash flows	<b>(4,327)</b>	<b>(72,536)</b>	<b>(76,863)</b>
Non-cash changes			
— Additions	<b>11,556</b>	–	<b>11,556</b>
— Settlement for issuing new convertible bonds	–	<b>(2,342)</b>	<b>(2,342)</b>
— Interest charged	<b>668</b>	<b>6,727</b>	<b>7,395</b>
— Exchange realignment	–	<b>(304)</b>	<b>(304)</b>
At 30 June 2024	<b>11,636</b>	<b>9,444</b>	<b>21,080</b>

### (b) Major non-cash transaction

During the year, the convertible bonds issued on 15 January 2020 amounting to RMB11,440,000 was settled by the convertible bonds issued on 26 February 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

## 37. OTHER MATTERS

References are made to the announcements of the Company dated 25 January 2022, 2 June 2023, 24 January 2024 and 2 July 2024 (the “**Announcements**”) and the circular of the Company dated 25 March 2022 (the “**Circular**”) in relation to, among other matters, (i) the entering into of the agreement for the provision of financial assistance by way of pledge of properties of the Group and (ii) the receipt of written notice dated 15 May 2023 from the Bank requesting Sichuan Greenland to observe and perform its obligations under the pledge if the Borrower fails to make repayment. ; (iii) the judgement of the Dongguan Third Primary People’s Court, Guangdong (廣東省東莞市第三人民法院) (the “**Court**”) handed down on 16 January 2024 confirming the disposal rights of the bank to enforce the pledge and sell the properties by auction in settlement of the liability owed by the borrower to the bank in light of the borrower’s failure to perform its repayment obligation regarding the loan.

Appeal was made by Sichuan Greenland to the Dongguan Intermediate People’s Court, Guangdong (廣東省東莞市中級人民法院) (the “**Intermediate People’s Court**”) to reverse or vary the decision of the Court or remand the case. The bank also made an appeal to vary the decision. The hearing was held on 28 May 2024 and the civil judgment of the Intermediate People’s Court was handed down on 7 June 2024, pursuant to which, among others, the appeal of Sichuan Greenland and the bank was dismissed and the original judgment (i.e. Jan 2024 Judgment) was upheld, and the June 2024 Judgment is final.

As disclosed in the annual report of the Company for the year ended 30 June 2023, an impairment loss on assets, of approximately RMB49.8 million has been made by the Group.

In addition, the Group has been identifying other suitable location for relocation of the production base of the Group currently located at the properties.

## 38. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company entered into the supplemental deed poll to, subject to fulfilment of certain conditions, change the maturity date of the 2024 Convertible Bonds from 26 February 2026 to 19 February 2025 (with related consequential amendments as a result). Save for such amendments, all other terms and conditions of the 2024 Convertible Bonds remain unchanged, valid and in full force. Details of the amendments please refer to the Company announcement date 2 September 2024.

## 39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 September 2024.

# FINANCIAL SUMMARY

	For the year ended 31 December		For the 18 months ended 30 June	For the 12 months ended 30 June	For the 12 months ended 30 June
	2019	2020	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	48,610	82,419	172,511	110,831	<b>57,476</b>
Loss for the year	(16,471)	(26,953)	(73,738)	(79,196)	<b>(38,911)</b>
Loss for the year attributable to					
— Owners of the Company	(16,471)	(26,953)	(73,738)	(79,196)	<b>(38,469)</b>
— Non-controlling interests	—	—	—	—	<b>(442)</b>
Total comprehensive expense for the year	(16,079)	(27,777)	(75,757)	(84,176)	<b>(33,041)</b>
Total comprehensive expense for the year attributable to					
— Owners of the Company	(16,079)	(27,777)	(75,757)	(84,176)	<b>(32,599)</b>
— Non-controlling interests	—	—	—	—	<b>(422)</b>

Assets and Liabilities	As at 31 December		As at 30 June	As at 30 June	As at 30 June
	2019	2020	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	190,717	265,297	269,810	174,081	<b>89,164</b>
Total liabilities	(22,340)	(93,074)	(141,889)	(126,732)	<b>(68,829)</b>
Non-controlling interests	—	—	—	—	<b>(538)</b>
Equity attributable to owners of the Company	168,377	172,223	127,921	47,349	<b>19,797</b>

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