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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Zhi Sheng Group Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2023 (the "**Reporting Period**"), together with the comparative figures for the preceding financial year which covered the eighteen months from 1 January 2021 to 30 June 2022 ("**Previous Reporting Period**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Non-current assets			
Property, plant and equipment		**2,656**	42,955
Right-of-use assets		**3,326**	19,841
Goodwill		**23,109**	25,197
Loan receivables	*11*	**–**	50,000
		29,091	137,993
Current assets			
Inventories		**10,338**	10,751
Contract assets		**11,587**	30,193
Trade, lease and other receivables	*12*	**39,304**	61,937
Loan receivables	*11*	**50,000**	–
Cash and cash equivalents		**33,761**	28,936
		144,990	131,817
Current liabilities			
Contract liabilities		**3,971**	33,641
Trade and other payables	*13*	**39,614**	30,542
Lease liabilities		**3,739**	3,555
Convertible bonds	*14*	**77,899**	–
Tax payable		**1,509**	974
		126,732	68,712
Net current assets		**18,258**	63,105
Total assets less current liabilities		**47,349**	201,098

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities		**–**	3,719
Convertible bonds	*14*	**–**	64,835
Deferred tax liabilities		**–**	4,623
		–	73,177
NET ASSETS		**47,349**	127,921
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*15*	**8,016**	8,016
Reserves		**39,333**	119,905
TOTAL EQUITY		**47,349**	127,921

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

(a) Reportable segments revenue and results

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

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

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

(b) Reportable segments assets and liabilities

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

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

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

(c) Other segment information

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

(d) Geographical information

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

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

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

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

(e) Information about major customer

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

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

5. REVENUE

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

Disaggregation of revenue from contract with customers

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

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

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

Operating leases

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

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

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

6. OTHER INCOME, NET

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

7. FINANCE COSTS

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

8. INCOME TAX CREDIT

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

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

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

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

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

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

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

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

9. DIVIDENDS

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

10. LOSS PER SHARE

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

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

11. LOAN RECEIVABLES

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

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

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

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

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

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

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

12. TRADE, LEASE AND OTHER RECEIVABLES

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

(a) Trade receivables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Lease receivables

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

(c) Other receivables

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

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

(d) Prepayments

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

Note:

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

14. CONVERTIBLE BONDS

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

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

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

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

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

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

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

15. SHARE CAPITAL

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

Note:

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Manufacture and sale of furniture products business

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

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

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

Data centre business

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

Buildout management service business

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

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

PROSPECTS

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of sales

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

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

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

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

Gross profit

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

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

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

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

Other income, net

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

Selling and distribution expenses

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

Administrative and other expenses

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

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

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

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

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

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

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

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

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

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

Finance Costs

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

Income Tax Credit

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

Loss for the Year Attributable to Owners of the Company

Loss for the year attributable to owners of the Company for the Reporting Period was approximately RMB79.2 million (Previous Reporting Period: loss of approximately RMB73.7 million). The increase in losses was primarily attributable to the increase in the Group's administrative and other expenses (including impairment loss on assets) of approximately RMB13.2 million during the Reporting Period as compared to Previous Reporting Period, mainly due to the provision for impairment loss on assets and loss on investment in wealth management products. Additionally, other income, net decreased by approximately RMB1.0 million, and financing costs increased by approximately RMB0.5 million during the Reporting Period as compared to the Previous Reporting Period, all contributing to the increase in losses. In addition, despite a decrease in the revenue of approximately 35.8% during the Reporting Period as compared to the Previous Reporting Period, the cost of sales decreased by approximately 38.6%, leading to an increase of approximately RMB1.1 million in gross profit due to an improvement in gross profit margin. Sales and distribution expenses decreased by approximately RMB5.4 million as compared to the Previous Reporting Period. And income tax credit increased by approximately RMB2.7 million year-on-year. These three factors partially offset the increase in losses. A detailed analysis of the indicators of revenue, costs, gross profit, and expenses is set out in the explanatory notes to the above indicators in the section headed "Management Discussion and Analysis" of this announcement and will not be repeated in detail.

Contract Assets, Trade, Lease and Other Receivables

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

Loan Receivables

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

Trade and Other Payables

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

Contract Liabilities

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

Convertible Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

CAPITAL STRUCTURE

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

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

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 announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, 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.

FOREIGN EXCHANGE EXPOSURE RISKS

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

FINANCIAL POLICIES

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

GEARING RATIO

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

CAPITAL COMMITMENTS

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

PLEDGE OF ASSETS

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

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

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

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

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

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

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

ENVIRONMENT POLICIES AND PERFORMANCE

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 30 June 2023.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 30 June 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

CORPORATE GOVERNANCE REPORT

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

(a) Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

    The Company does not have a chairman of the Board since the resignation of Mr. Ma Gary Ming Fai from that position in September 2018. The duties of the chairman have been taken up by the chief executive officer of the Company during the transition period. The Board is in the process of locating appropriate candidate to fill the vacancy of the chairman. During the Reporting Period, the duties of the chairman were performed by Mr. Yi Cong, the Chief Executive Officer. The chief executive officer is responsible for the day-to-day management of the business and provides leadership for the Board.

    Despite the roles/duties of the chairman and chief executive are performed by the same person, the Board considers that the transitional arrangement provides efficient communications and strong leadership and thus is beneficial to the Group. Balance of power is safeguarded in that major matters are discussed at the Board room and decided by Directors in Board meetings. Each Director can also propose issues to which he concerns at Board meetings.

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

As disclosed above, there is no chairman of the Board during the Reporting Period. The duties of the chairman are performed by the chief executive officer of the Company. All Directors attended the annual general meeting of the Company held on 9 December 2022 (the "**2022 AGM**").

Representative(s) of the external auditor, ZHONGHUI ANDA CPA Limited, also attended the 2022 AGM. The Company considers that the members of the Board who attended the 2022 AGM were able to sufficiently answer questions from shareholders at the 2022 AGM.

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

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 30 June 2023 (2022: Nil). No shareholder has agreed to waive dividends.

ANNUAL GENERAL MEETING (THE "AGM")

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

CLOSURE OF REGISTER OF MEMBERS

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

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 announcement.

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.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.qtbgjj.com. The annual report 2022/23 will be published on the website of Stock Exchange at www.hkexnews.hk and the website of Company at www.qtbgjj.com and will be despatched to the Shareholders on or before 29 September 2023.

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

Hong Kong, 22 September 2023

As at the date of this announcement, the Board comprises Mr. Yi Cong, Mr. Liang Xing Jun, Mr. Ma Gary Ming Fai and Mr. Lai Ningning as executive directors; Mr. Luo Guoqiang as non-executive director; and Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti as independent non-executive directors.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the Company's website at www.qtbgjj.com.

* *For identification purpose only*