

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



2024/25 ANNUAL
REPORT

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CORPORATE INFORMATION

REGISTERED OFFICE

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Sichuan Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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EXECUTIVE DIRECTORS

Mr. Lai Ningning (appointed as Chief Executive Officer on 23 December 2024)
Mr. Yi Cong (resigned as Chief Executive Officer on 18 October 2024, but remained as an executive Director)
Mr. Liang Xing Jun
Mr. Ma Gary Ming Fai (*Compliance Officer*)

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit
Ms. Cao Shao Mu (resigned on 18 October 2024)
Mr. Li Saint Chi Sainti (resigned on 18 October 2024)
Ms. Chan Pui Shan (appointed on 18 October 2024)
Mr. Lin Xiao Dong (appointed on 18 October 2024)

COMPLIANCE OFFICER

Mr. Ma Gary Ming Fai

COMPANY SECRETARY

Ms. Yuen Lai Sheung

AUDIT COMMITTEE

Mr. Chan Wing Kit (*Chairman*)
Ms. Cao Shao Mu (resigned on 18 October 2024)
Mr. Li Saint Chi Sainti (resigned on 18 October 2024)
Ms. Chan Pui Shan (appointed on 18 October 2024)
Mr. Lin Xiao Dong (appointed on 18 October 2024)

REMUNERATION COMMITTEE

Mr. Chan Wing Kit (*Chairman*)
Ms. Cao Shao Mu (resigned on 18 October 2024)
Mr. Li Saint Chi Sainti (resigned on 18 October 2024)
Ms. Chan Pui Shan (appointed on 18 October 2024)
Mr. Lin Xiao Dong (appointed on 18 October 2024)

NOMINATION COMMITTEE

Mr. Chan Wing Kit (*Chairman*)
Ms. Cao Shao Mu (resigned on 18 October 2024)
Mr. Li Saint Chi Sainti (resigned on 18 October 2024)
Ms. Chan Pui Shan (appointed on 18 October 2024)
Mr. Lin Xiao Dong (appointed on 18 October 2024)

LEGAL ADVISER AS TO HONG KONG LAW

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CORPORATE INFORMATION

AUDITOR

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23/F, Tower 2, Enterprise Square Five
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AUTHORISED REPRESENTATIVES

Mr. Yi Cong
Ms. Yuen Lai Sheung

PRINCIPAL BANKERS

China Citic Bank
China Merchants Bank
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
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KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY'S WEBSITE ADDRESS

www.qtbjgj.com

STOCK CODE

8370

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the “**Board**”), I am pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2025 (the “**Reporting Period**”).

During the Reporting Period, escalating trade conflicts, coupled with the pressure to restructure global industrial supply chains due to tariff policy adjustments, further exacerbated the uncertainty of economic recovery in the domestic market. Affected by the long-term downturn in the real estate market, the furniture industry remained in a phase of accelerated restructuring. According to the information available from the National Bureau of Statistics, from January to July 2025, national real estate development investments amounted to RMB5,358 billion, representing a year-on-year decrease of 12.0%; among which residential investments amounted to RMB4,120.8 billion, representing a decrease of 10.9%. In line with the continuous downturn in the real estate market, the number of new commercial buildings decreased, and the demand for new construction and renovation of corporate office spaces significantly shrank, leading to the weakening of demand for the purchase of furniture. Meanwhile, as a result of dual pressure from the combined effects of intensified competition within the industry, greater market shares taken by leading enterprises, and emerging business models, our original furniture business ecosystem experienced increasing difficulty in securing orders, which led to a sharp decline in revenue from our principal business. In addition, some of our financial institution clients, on which the Company previously relied, were affected by the digital transformation of their operations (such as online business and streamlining of offline branches), causing a continuous contraction in their related purchase demand, further exacerbating our operational pressure.

In response to complex domestic and international challenges, the Group continued to focus its resources on the southwestern region as its core operating area during the year, and sustained the stable operation of its existing businesses. Despite a volley of measures unleashed, Sichuan Greenland’s original furniture business remained under pressure due to weak overall demand, without an effective turnaround. Nevertheless, we are pleased to note that, in order to reduce reliance on a single region and a single market, the Group previously established “Shangcheng Smart” in Guangdong, and successfully penetrated the market through differentiated product positioning. During the Reporting Period, the sales revenue generated by Shangcheng Smart surpassed that of Sichuan Greenland, emerging as a new business growth driver for the Group.

In addition, the Group continued to strengthen cost control, by exercising strict control over various expenses, improving inventory management, and actively recovering significant overdue receivables, thus yielding certain positive results.

CHIEF EXECUTIVE OFFICER'S STATEMENT

In respect of the data centre business, since the acquisition of 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) in 2020, the Group has entered the domestic data centre market starting with servers custody. In the initial stage, the Group primarily cooperates with data centre operators to lease machine enclosure resources, which are then subleased to corporate clients, while providing value-added services such as internet access. To date, the Group has maintained stable cooperation with the large institutional clients it serves. With the continuous advancement of technology, the data centre industry is undergoing profound transformation. Over the past few years, market demand has gradually shifted from traditional servers custody to cloud computing, and further into a new stage driven by artificial intelligence (AI). The rapid development of AI technology has triggered an explosive demand for computing power, fundamentally changing customer requirements for data centres to the extent that customers are no longer satisfied with simple machine enclosure rentals, but instead place greater emphasis on the autonomy, controllability, stability, and long-term service capability of infrastructure. Against this backdrop, the traditional "sublessor" asset-light operating model can no longer meet future needs. The Group is fully aware that to serve core clients in the AI era, it is essential to possess its own land, power resources, and green energy facilities, thereby gaining true control of underlying infrastructure. Leveraging the Group's experience and expertise in carrying out buildout management service business, as well as years of operational experience in the data centre sector, the Group is proactively seizing this trend and firmly advancing the transition to the "self-build, self-operate, and self-own" asset-heavy model. Looking ahead, the Group will focus on the AI data centre business, with a dedication to becoming a builder and operator of next-generation intelligent computing infrastructure.

To this end, the Group has proactively advanced its strategic transformation, upgrading from "resource integration" to "independent construction". Since a significant portion of Inner Mongolia's power supply is generated from solar, wind, and other renewable sources, the region holds unique advantages in green energy, which aligns with the long term goal of the Group to build and manage its own multi-tenants hyperscale artificial intelligence data centre and develop an intelligent computing centre. During the year, the Group successfully acquired the land use right of two parcels of industrial land in Hohhot and Xilingol League of Inner Mongolia, with a total area exceeding 150,000 square meters, marking a critical step toward building our own green data centres. For details, please refer to the announcements of the Company dated 14 February 2025, 24 February 2025, 11 March 2025 and 16 May 2025, respectively.

In addition, in response to the overseas expansion needs of PRC customers in the AI sector and the emerging opportunities in the Southeast Asian market, the Group has been actively expanding its overseas presence, with a focus on Thailand as a rising regional computing hub. According to market information released in February 2025, the Thailand data centre market is one of the developing and emerging markets for data centre development in Southeast Asia. The Thailand data centre market was valued at US\$1.56 billion in 2024, and is projected to reach US\$3.19 billion by 2030, growing at a compound annual growth rate of 12.66%. There are over 30 operational colocation data centres in Thailand. Key government initiatives, such as Thailand 4.0 and the Eastern Economic Corridor, have been instrumental in creating a favorable investment environment. Tax incentives, enhanced infrastructure, and simplified regulations have played a significant role in establishing Thailand as a competitive player in the industry. The Board of Investment (the "BOI") of Thailand has approved numerous data centre and cloud service projects mainly located in Bangkok, Samut Prakan, Chonburi, and Rayong. In 2024, the BOI approved 46 data centre and cloud related projects, with a total investment amount of around US\$5 billion. As at 17 March 2025, the approved investment amount of data centres and cloud related projects was approximately US\$2.7 billion.

CHIEF EXECUTIVE OFFICER'S STATEMENT

In order to capitalise on opportunities in the data centre market in Thailand, the Group has initiated efforts to identify land parcel(s) in Thailand suitable for the construction of a data centre and the development and operation of data centre service business. The Group aims to provide data centre services to top tier internet companies in Thailand under multiple-year contracts. Due to the land acquisition requirements in Thailand (including approval from BOI of Thailand for foreign companies), funding constraints, and due diligence needs, the Company could not acquire the Land outright. On 19 June 2025, the Company entered into a call option deed with Mr. Man Lap, a minority shareholder of the Company who owns a Thai data centre company (the "Thai Data Centre Company") with approval from BOI of Thailand, pursuant to which the Company may exercise the option to acquire the Thai Data Centre Company and indirectly owns a majority interests in the Land. As of the date of this report, the Thai Data Centre Company has signed a sale and purchase agreement for the Land and construction agreements for water and electricity facilities. Further details are set out in the announcement of the Company dated 19 June 2025 and the circular of the Company dated 30 April 2025.

Looking forward, due to the uncertainty overshadowing the macroeconomic environment, and corporate spending remaining cautious, the Group maintains a prudent view on the furniture products market. The Group will continue to pursue a diversified layout of its furniture business, leveraging Shangcheng Smart's first-mover advantage in the Guangdong market to deepen strategic cooperation with core customers, expand sales area and enhance customization capabilities, thereby gradually establishing a multi-regional support system to mitigate reliance on any single market and contribute incremental growth to the furniture segment.

In respect of the data centre business, the acquisition of the land use right of the two parcels of industrial land in Inner Mongolia, the PRC is a strategic move to expedite the elevation and expansion of the data centre business to achieve a transformative scale. The Group also aims to capitalise on opportunities in the data centre market in Thailand by providing data centre services to top tier internet companies in Thailand under multiple-year contracts and to progressively expand its market presence.

ACKNOWLEDGEMENTS

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

Yours faithfully

Lai Ningning

Chief Executive Officer and Executive Director

Hong Kong, 26 September 2025

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 the Tibet Autonomous Region; 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 Industrial Co., Limited* (四川青田傢俱實業有限公司) ("**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, WNT, entered into a management agreement with Gu'an Fu'ai Electronics Co. Ltd. ("**Gu'an Fu'ai**") to carry out buildout management service business. During the Reporting Period and the corresponding period of last year, the Group did not commence any new buildout management projects.

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

Manufacture and sale of furniture products business

During the Reporting Period, the Group achieved a revenue from sale of furniture products segment of approximately RMB51.3 million, representing an increase of approximately RMB14.2 million or approximately 38.4% as compared to the corresponding period of last year. During the Reporting Period, the domestic real estate market remained in a deep adjustment phase. Despite ongoing policy support, the recovery process has been slow, and the prolonged market downturn has created a greater-than-expected impact on downstream furniture operations. Weak demand from end-consumers, coupled with the scaling back of branches by certain key financial clients, led to a significant decline in related orders, creating substantial operational challenges under these dual pressures.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Facing a complex market environment, the Group focused on its core operational strategies, concentrating resources to stabilise the Southwest market centered on Sichuan Province. Through strengthened regional services and response of supply chain, efforts were made to consolidate market share. In respect of the products, our research and development efforts were intensified to launch diversified furniture products tailored to educational institutions, hotels, and small enterprises, enhancing market adaptability. In respect of customer expansion, the Group actively extended to non-traditional sectors to seek new growth opportunities. Although some initiatives have been implemented, market recovery remained unobvious due to weak overall demand. In response, the Group adopted refined management practices to address pressures, optimized inventory control, accelerated the collection of accounts receivable, mobilized existing assets, and strictly controlled various expenditures. Measures such as office relocations were taken to reduce rental costs. During the Reporting Period, the administrative expenses of the furniture segment significantly decreased year-on-year, laying a foundation for ensuring financial stability and preserving development momentum.

It is noteworthy that the Group's Shangcheng Smart business, as part of its strategic positioning, has gradually shown results. During the Reporting Period, Shangcheng Smart not only steadily advanced its production and sales collaboration, achieving sales revenue of approximately RMB26.2 million, but also generated approximately RMB3.6 million in related management service income for the Group through the expansion of ancillary services. This segment effectively offset the negative impact of the decline in sales revenue from the original business of the furniture segment, and further promoted the overall year-on-year growth in revenue from the Group's furniture business, becoming an important support for the Group in responding to the cyclical fluctuations and nurturing new growth poles within the industry.

Other matters in prior financial years

As mentioned in the previous financial report, the Group, through its subsidiary, Sichuan Greenland, pledged land and buildings and other properties to assist Mr. Luo Jinyao (who controls Dongguan Yaobang Group Co., Ltd.* (東莞市耀邦集團有限公司) ("**Yaobang Group**"), as borrower (the "**Borrower**") or his subsidiaries in obtaining financing. However, due to the Borrower's failure to make repayment on time, Sichuan Greenland has received a written notice from the state-owned financial institution(s) in the PRC (the "**Bank(s)**") demanding Sichuan Greenland to comply with and fulfil its obligations under the pledge made in respect of a parcel of land and buildings located at Chengdu City. For subsequent particulars, please refer to the content set out in the subsection headed "Other matters in prior financial years" under the Management Discussion and Analysis section of this report.

In addition, as disclosed in the 2022/23 annual report of the Company, the Company purchased three wealth management products issued by Zhongzhi Enterprise Group Co., Ltd.* (中植企業集團有限公司) or its subsidiaries ("**Zhongzhi Enterprise Group (ZEG)**") with an aggregate principal amount of RMB10 million which remain outstanding as at the date of this report. The Group has provided in full for investment losses on the abovementioned wealth management products in the past two financial years. For specific matters, please refer to the content set out in the subsection headed "Other matters in prior financial years" under the Management Discussion and Analysis section of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre business

During the Reporting Period, the Group achieved a revenue from the existing business of the data centre segment of approximately RMB18.1 million, representing a decrease of approximately RMB2.3 million or approximately 11.3% as compared to the corresponding period of last year. The segment's revenue is currently still primarily generated from rental income from server rack rentals, with a relatively stable business foundation.

During the Reporting Period, the Group continued to advance the strategic transformation of its data centre business. In March and May 2025, the Group successfully acquired land use right of two parcels of industrial land in Hohhot (50,034 square meters) and Xilingol League (107,969.77 square meters) of Inner Mongolia. Such land acquisitions will enable the Group to construct self-owned data centres, aligning with its development strategy and creating long-term benefits for the Group. In recent years, demand for data centre services in Inner Mongolia Autonomous Region has kept rising, and the acquired land is located in the central region of the Inner Mongolia Autonomous Region, further strengthening the Group's capabilities in expanding its data centre service business. The Board believes that these land acquisitions are consistent with the Group's strategic development plan. For details, please refer to the announcements of the Company dated 14 February 2025, 24 February 2025, 11 March 2025 and 16 May 2025, respectively.

In terms of international expansion, the Group is actively advancing its strategic layout in Thailand. Given the growing demand from PRC customers in the AI sector for international expansion, the rapid growth of Thailand's data centre market, and the supportive policy environment, we have identified potential land plots in areas such as Rayong, aiming to capitalise on opportunities in the data centre market in Thailand by providing data centre services to top tier internet companies in Thailand with multiple-year contracts and progressively expand its market presence.

In addition, the Group has accumulated project experience through its buildout management service business, building a collaborative network with contractors and suppliers, thereby laying a foundation for the Group's future autonomous construction capabilities.

During the Reporting Period, the Group recorded a revenue of approximately RMB69.4 million, representing an increase of approximately RMB11.9 million or approximately 20.8% as compared to the corresponding period of last year. During the Reporting Period, owners of the parent of the Group recorded a loss of approximately RMB13.5 million, as compared with the loss of approximately RMB38.5 million recorded by the owners of the parent of Group for the Previous Reporting Period. For details on the decrease in loss and analysis of revenue, cost, fees and other indicators for the Reporting Period, please refer to the section headed "Financial Review" under "Management Discussion and Analysis" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking forward, although the real estate and furniture industries remain in a cycle of industrial adjustments with a possible slow recovery process, structural opportunities still exist as national policies for stable growth are gradually implemented, and the demand for high-quality, functional, and environmentally friendly furniture in livelihood sectors such as education, healthcare, affordable housing, and community nursing homes continues to be released. We remain confident in our own brand foundation and, in the short term, we will maintain stable operations in the furniture business, ensuring cash flow and maintaining our fundamental business. We will continue to adhere to the development strategy of “regional focus, differentiated development, and seeking change amidst stability” by stabilizing our fundamental business in Southwest market and continuously optimizing product design to improve environmental friendliness, safety, and cost performance, and strengthen our competitiveness in the tendering and bidding market. We will promote product innovation and diversify our customer base, with a focus on expanding into niche markets such as education, healthcare, long-term rental apartments, and small-to-medium commercial spaces, enhancing customization and modular supply capabilities. At the same time, through optimizing supply chain management, improving inventory turnover, and controlling costs, we aim to improve our current operational conditions. Furthermore, we will gradually promote the diversified layout of our furniture business, leveraging Shangcheng Smart’s channels and customer resources in Guangdong Province to deepen cooperation with its core customers, expand product categories and sales regions, and enhance our resilience to risks, with the aim to reduce our reliance on a single market and traditional models and provide us with time and space to drive overall business transformation.

In terms of data centre business, the Group strives to build its proprietary data centres as soon as possible, achieving dual enhancement in overall competitiveness and profitability scale. In the PRC, the Group will use Inner Mongolia as a strategic foothold, leveraging the “Eastern Data and Western Computing” policy and the advantages of green energy to steadily advance the construction of its own data centres. Once the project is completed, it will significantly enhance the Group’s autonomy in terms of computing power supply, cost control, and customer service, creating sustainable competitive barriers.

In the overseas market, Thailand will serve as a key component in the Group’s international layout. In order to concentrate resources for entering the data centre market in Thailand, the Group has made efforts to seek suitable land plots for the construction of data centres and the development and operation of data centre service business in Thailand. The Group aims to provide data centre services to top network companies in Thailand through multi-year contracts. Based on the Group’s preliminary assessment of the target land, land plots located in the Rayong area of Thailand or other suitable locations are deemed most ideal, with the total land area expected to be approximately or no less than 140,000 square meters.

In summary, the Group is gradually shifting its resources and strategic focus from the adjustment cycle of its traditional furniture business to the data centre business, a high-growth business. We believe that by focusing on AI computing infrastructure and advancing both domestic and international construction efforts, the Group will achieve a leap from “traditional manufacturing” to “intelligent computing services,” ushering in a new phase of growth.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB69.4 million, representing an increase of approximately RMB11.9 million or approximately 20.8% as compared to the corresponding period of last year. 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 RMB51.3 million, representing an increase of approximately RMB14.2 million or approximately 38.4% as compared to the corresponding period of last year. Of which:

- (i) During the Reporting Period, the original business of Sichuan Greenland under this segment achieved sales revenue of approximately RMB21.5 million, representing a decrease of approximately RMB12.4 million or approximately 36.4% as compared to the corresponding period of last year. During the Reporting Period, Sichuan Greenland continued to focus on its business expansion in the five southwestern provinces and regions. However, affected by multiple factors, there was no sign of breakthrough in the market recovery, with sales failing to meet the expectations in all provinces and regions. Due to the continued weak consumer demand, coupled with the ongoing downward pressure in the real estate sector, the overall demand for the furniture industry significantly contracted, leading to sustained pressure on the Company's operating performance.
- (ii) Established for this segment in the last financial year, Shangcheng Smart achieved sales revenue of approximately RMB26.2 million during the Reporting Period, representing an increase of approximately RMB23.0 million or approximately 709.2% as compared to the corresponding period of last year. During the Reporting Period, this segment achieved related management service income of approximately RMB3.6 million. The above revenue not only compensated for the decrease in revenue from Sichuan Greenland but also represented the main reason for the year-on-year increase in revenue of this segment. Shangcheng Smart earned the trust of customers by optimizing production processes, continuously improving production quality and efficiency, and providing comprehensive after-sales service. Furthermore, following stable strategic cooperation intentions entered into with major customers, both parties reached a consensus on furniture supply cooperation, laying a solid foundation for the stable growth of sales revenue.

Data centre segment: During the Reporting Period, the data centre segment achieved a revenue of approximately RMB18.1 million, representing a decrease of approximately RMB2.3 million or approximately 11.3% as compared to the corresponding period of last year. For the Reporting Period, except for information technology management services and data centre operations and security services, which recorded revenue broadly flat compared to the corresponding period of last year, the revenue from server rack rental business and internet access connection services both decreased year-on-year, which was mainly attributable to the fact that: the overall economic recovery was weaker than expected, affecting the IT budget of corporate clients. Certain customers did not renew their leases upon expiry, and new customers were not filled in a timely manner, resulting in insufficient utilization of vacant rack spaces. Meanwhile, revenue also declined year-on-year due to intensified competition and lower unit prices for new leases as the Company strove to attract new customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; and (iv) production or operation overheads such as depreciation, amortisation of intangible assets, utilities bills, maintenance fee and rent. The Group's cost of sales for the Reporting Period was approximately RMB54.4 million, representing an increase of approximately RMB0.6 million or 1.1% as compared to the corresponding period of last year. Of which:

Manufacture and sale of furniture products segment: Cost of sales for the Reporting Period was approximately RMB38.5 million, representing an increase of approximately RMB3.0 million or approximately 8.5% as compared to the corresponding period of last year. Of which: the cost of sales for the original business of Sichuan Greenland in this segment decreased by approximately RMB15.7 million year-on-year. As the decrease in the cost of sales was significantly greater than the decrease in sales revenue, this directly drove a year-on-year increase in gross profit margin. In addition, during the Reporting Period, our strengthened inventory management led to a reversal of provision for loss of inventories, offsetting costs by approximately RMB1.3 million (a provision for loss of inventories of approximately RMB5.9 million for the corresponding period of last year), further accelerating the decline in the cost of sales. The cost of sales of Shangcheng Smart increased by approximately RMB18.7 million year-on-year, becoming the primary driver of cost growth for this segment. This increase was mainly attributable to the rapid increase in its sales revenue, requiring a synchronized expansion of production and purchase scales to match business demands.

Data centre segment: Cost of sales for the Reporting Period was approximately RMB15.9 million, representing a decrease of approximately RMB2.4 million or approximately 13.3% as compared to the corresponding period of last year, which was slightly faster than the year-on-year decrease in revenue of approximately 11.3%. This was mainly attributable to the fact that: certain customers did not renew their leases upon expiry, and the progress of new customer expansion did not meet expectations, leading to an overall contraction in our business scale, which in turn reduced the demand for machine enclosures and related resources. In view of this, the Company strictly implemented "cost reduction and efficiency improvement". For server racks with expired leases, the Company actively optimized resource allocation and reduced the number of renewed machine enclosures. At the same time, the Company negotiated with suppliers to seek more favorable rental prices, achieving cost savings and certain results.

Gross profit

Gross profit increased from approximately RMB3.7 million for the corresponding period of last year to approximately RMB15.1 million for the Reporting Period. Of which:

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacture and sale of furniture products segment: Gross profit for the Reporting Period was approximately RMB12.9 million, representing a year-on-year increase of approximately RMB11.3 million or approximately 695.4%. The gross profit margin of this segment increased from approximately 4.4% in the corresponding period of last year to approximately 25.0% during the Reporting Period. Of which: the gross profit margin of the original business of Sichuan Greenland in this segment increased from approximately 2.8% in the corresponding period of last year to approximately 19.8% during the Reporting Period, due to the fact that the decrease in the cost of sales was greater than the decrease in sales revenue. During the Reporting Period, Sichuan Greenland strengthened inventory management and effectively reduced slow-moving inventory losses, which was the main reason for the increase in gross profit margin. To quickly overcome the operational challenges facing the furniture business, the Group established Shangcheng Smart to diversify furniture operations as soon as possible to disperse the risks associated with a single market and strove to stabilize the Group's revenue. During the Reporting Period, Shangcheng Smart achieved a year-on-year increase in gross profit of approximately RMB4.3 million, and this segment achieved related management service income of approximately RMB3.6 million, which were the main reasons for the year-on-year increase in gross profit.

Data centre segment: Gross profit for the Reporting Period was approximately RMB2.2 million, representing a year-on-year increase of approximately RMB0.1 million or approximately 6.8% as compared to the corresponding period of last year. Gross profit margin increased from approximately 10.2% in the corresponding period of last year to approximately 12.2% during the Reporting Period. This was mainly attributable to the fact that: the Company strictly implemented "cost reduction and efficiency improvement". For server racks with expired leases that were not renewed, the number of leased machine enclosures was reduced upon renewal, and the vacancy rate of machine enclosures significantly decreased compared to the corresponding period of last year. At the same time, the Company achieved certain results by negotiating with suppliers for favorable rental prices, leading to a year-on-year increase in gross profit margin.

Other loss, net

During the Reporting Period, the Group's other loss, net amounted to approximately RMB2.2 million, representing a year-on-year decrease of approximately RMB0.2 million. This was mainly attributable to the following facts: (i) there was a year-on-year decrease in net exchange loss, as the Group's original loan contract stipulated that the SPV loan of RMB50 million would be repaid in USD in the corresponding period of last year, resulting in an exchange loss of approximately RMB4.7 million, while no such expenditure occurred in the current year; (ii) the interest income from loan receivables was approximately RMB1.8 million in the corresponding period of last year, as the SPV loan matured and was recovered in February 2024, and there was no interest income from loan receivables in the current year; (iii) Shangcheng Smart incurred non-recurring compensation expenses of approximately RMB1.2 million during the Reporting Period; and (iv) due to the change in the maturity date of the 2024 convertible bonds from 26 February 2026 to 19 February 2025, a fair value difference of approximately RMB1.2 million between the derecognition of the original liability and the recognition of the new liability was recognized in profit or loss on a one-off basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB7.3 million, representing an increase of approximately RMB0.7 million or approximately 9.9% as compared to the corresponding period of last year. Of which: the data centre segment did not incur any selling expenses during the Reporting Period and the corresponding period of last year. During the Reporting Period, the selling and distribution expenses of the manufacture and sale of furniture products segment increased year-on-year. Shangcheng Smart in this segment increased by approximately RMB2.0 million year-on-year, mainly attributable to the growth in the production capacity driving a corresponding increase in selling expenses; while Sichuan Greenland in this segment decreased by approximately RMB1.3 million year-on-year, mainly due to a significant year-on-year decrease in its sales revenue.

Administrative and other expenses

During the Reporting Period, the Group's administrative and other expenses (including impairment loss on assets) amounted to approximately RMB18.0 million, representing a decrease of approximately RMB8.1 million or approximately 31.0% as compared to the corresponding period of last year.

Of which: administrative and other expenses of the data centre segment amounted to approximately RMB6.1 million, representing an increase of approximately RMB1.0 million or approximately 19.6% as compared to the corresponding period of last year. This increase was mainly attributable to an increase in provision for asset losses such as goodwill of approximately RMB1.5 million. As the Company exercised strict control over expenses and expenditures, the ordinary expenses incurred during the Reporting Period decreased to a certain extent compared to the corresponding period of last year, which to some extent slowed down the growth rate of administrative and other expenses.

Excluding the administrative expenses incurred from the data centre segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB11.9 million, representing a decrease of approximately RMB9.1 million or approximately 43.3% as compared to the corresponding period of last year. The decreases were mainly attributable to the following facts:

- (i) During the Reporting Period, a reversal of provision for expected credit losses of approximately RMB2.0 million was recorded. Compared to the provision for credit losses of approximately RMB4.1 million made in the corresponding period of last year, there was a net decrease of approximately RMB6.1 million. This was mainly due to the Group strengthening its accounts receivable collection management, which had yielded positive results;
- (ii) During the Reporting Period, in response to the industry downturn, Sichuan Greenland in the furniture segment strictly implemented control measures in respect of various administrative and other expenses, and relocated its office in Chengdu to cut down rental payments. Among them, expenses such as rental payment, office expenses, welfare expenses, travel expenses, entertainment expenses, and taxes and fees all decreased significantly on a year-on-year basis, with total administrative expenses decreasing by approximately RMB3.5 million year-on-year. In addition, administrative expenses for the Hong Kong office also decreased by approximately RMB1.6 million year-on-year, which included a year-on-year decrease of approximately RMB0.7 million in share-based payments arising from the issuance of convertible bonds;

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) During the Reporting Period, the administrative and other expenses of Shangcheng Smart in the furniture segment increased by approximately RMB2.1 million year-on-year, mainly attributable to the growth in production capacity driving a corresponding increase in administrative expenses. The increase in expenses under item (iii) above partially offset the decrease in expenses under items (i) and (ii).

Finance Costs

The Group incurred finance costs of approximately RMB2.2 million for the Reporting Period (the corresponding period of last year: approximately RMB7.4 million), representing a year-on-year decrease of approximately RMB5.2 million or approximately 69.6%, among which: (i) interest expenses arising from convertible bonds decreased by approximately RMB6.0 million year-on-year, which was mainly attributable to interest expenses arising from US\$8 million convertible bonds in the previous reporting period; (ii) an increase in interest expenses of approximately RMB0.6 million due to an increase in lease liabilities in the Reporting Period; and (iii) implied interest on amounts payable to a substantial shareholder of approximately RMB0.2 million in the Reporting period.

Income Tax Expense/Credit

The Group had income tax expense of approximately RMB0.05 million during the Reporting Period, while the income tax credit for the corresponding period of last year was approximately RMB0.055 million. The Group has not provided for enterprise income tax because, except for certain subsidiaries that made profits and accrued income tax as required, other subsidiaries incurred losses or made profits but were required to make up for prior years' losses.

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 RMB13.5 million, and loss for the year attributable to non-controlling interests was approximately RMB1.2 million (the corresponding period of last year: loss attributable to the owners of the Company of approximately RMB38.5 million, and loss for the year attributable to non-controlling interests: approximately RMB0.4 million). The decrease in losses was primarily attributable to: a year-on-year increase in revenue of approximately 20.8% during the Reporting Period, with cost of sales not increasing in tandem, leading to an increase in gross profit margin and a gross profit amount of approximately RMB11.4 million. Administrative and other expenses (including impairment loss on assets) decreased by approximately RMB8.1 million year-on-year, finance costs decreased by approximately RMB5.2 million year-on-year, other loss, net decreased by approximately RMB0.2 million year-on-year, and income tax expense decreased by approximately RMB0.005 million year-on-year. Additionally, selling and distribution expenses increased by approximately RMB0.7 million year-on-year during the Reporting Period, which partially offset the decrease in losses.

A detailed analysis of the indicators of revenue, costs, gross profit, and expenses is set out in the explanatory notes to the above indicators in the section headed "Management Discussion and Analysis" of this report and will not be repeated in detail.

MANAGEMENT DISCUSSION AND ANALYSIS

Contract Assets, Trade, Lease and Other Receivables

Contract assets, trade, lease and other receivables of the Group as at 30 June 2025 amounted to approximately RMB22.0 million (30 June 2024: approximately RMB18.7 million). The increase was mainly attributable to: (i) an increase in prepayments and other receivables of approximately RMB3.1 million, of which: the Hong Kong headquarters increased by approximately RMB4.7 million year-on-year, due to payment of business funds for a newly established subsidiary of the data centre segment; while the manufacture and sale of furniture products segment decreased by approximately RMB1.6 million, mainly due to a decrease in prepayments for the purchase of materials. (ii) an increase in trade and lease receivables of approximately RMB0.5 million, due to an increase in trade receivables from Shangcheng Smart in the manufacture and sale of furniture products segment. (iii) a decrease in contract assets of approximately RMB0.3 million, due to a decrease in contract assets from the manufacture and sale of furniture products segment.

Trade and Other Payables

Trade and other payables of the Group as at 30 June 2025 amounted to approximately RMB37.4 million (30 June 2024: approximately RMB43.4 million). Such decrease was primarily attributable to: (i) a decrease in other payables of approximately RMB4.2 million, of which: the Hong Kong headquarters decreased by approximately RMB8.8 million, mainly due to the Company repaying interest-free and unsecured loans borrowed from the SPV company; while the manufacture and sale of furniture products segment increased by approximately RMB4.6 million, which was attributable to the increase in outstanding temporary payables generated from normal business operations. (ii) a decrease in trade payables of approximately RMB1.8 million, mainly due to due trade payables paid by the data centre segment.

Contract Liabilities

The Group's contract liabilities as at 30 June 2025 amounted to approximately RMB1.9 million (30 June 2024: approximately RMB2.9 million). Such decrease was mainly attributable to year-on-year decrease in contract liabilities of the manufacture and sales of furniture products segment due to the collection of receipts in advance from the signing of sales contracts.

Convertible Bonds

The Group had convertible bonds of approximately RMB16.4 million as at 30 June 2025 (30 June 2024: approximately RMB9.4 million). Such increase was mainly attributable to: during the Reporting Period, (i) the zero-coupon convertible bonds with a principal amount of HK\$12,400,000 issued by the Company on 26 February 2024 were fully converted into ordinary shares of the Company; and (ii) the Company had completed the issuance of convertible bonds with a total principal amount of HK\$20,000,000 to not less than six placees pursuant to the placing agreement as at 30 June 2025.

For details regarding the convertible bonds, please refer to the subsections headed "Use of Proceeds from issuance of Convertible Bonds or New Shares under Specific Mandate" and "Use of Proceeds from Placing of Convertible Bonds under General Mandate" under the section headed "Management Discussion and Analysis" and note 25 to the consolidated financial statements of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(a) February 2024 Convertible Bonds

In February 2024, the Company issued zero coupon convertible bonds (the “February 2024 Convertible Bonds”) to Billion Eggs Limited and Rock Link Limited, respectively, with a principal amount of HK\$12,400,000 in order to settle all outstanding amount under the then outstanding convertible bonds issued by the Company on 15 January 2020 (the “2020 Convertible Bonds”). A total of 18,155,197 ordinary shares of nominal value of HK\$0.1 per share of the Company (“Share(s)”) were converted and issued at conversion price of HK\$0.683 per share. The closing price per Share on the date of subscription agreements (being 3 January 2024) was HK\$0.470 (after the share consolidation becoming effective). As the aggregate subscription price of HK\$12,400,000 under the subscription agreements has been satisfied by setting off all outstanding amount payable by the Company for the 2020 Convertible Bonds, there were no net price and no proceeds arising from the subscription of the February 2024 Convertible Bonds.

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

During the Reporting Period, the February 2024 Convertible Bonds were fully converted into a total of 18,155,197 ordinary shares of the Company.

(b) 2024 Subscriptions

In December 2024, the Company allotted and issued an aggregate of (i) 33,000,000 Shares; and (ii) 12,000,000 Shares, respectively, at the subscription price of HK\$0.3 per subscription share (the “2024 Subscriptions”) to (i) Lightning Cloud Ltd. (which is wholly and beneficially owned by Mr. Lai Ningning, who is an executive Director, and a connected person of the Company under Chapter 20 of the GEM Listing Rules) and (ii) Z Living International Company Limited, respectively, as subscribers in order to repay the February 2024 Convertible Bonds. The closing price per Share on the dates of subscription agreements (being 21 October 2024) was HK\$0.760. As disclosed in the announcements of the Company dated 20 December 2024 and 17 February 2025, respectively, due to the conversion of the February 2024 Convertible Bonds, the use of net proceeds of approximately HK\$12.9 million from the 2024 Subscriptions has been changed to general working capital of the Group. The net price per subscription share is approximately HK\$0.28.

MANAGEMENT DISCUSSION AND ANALYSIS

The planned use of net proceeds, actual use of the net proceeds and the unutilised remaining net proceeds of the 2024 Subscriptions for the year ended 30 June 2025 are set out below:

Use of net proceeds	Planned use	Actual use of	Unutilised
	of net	net proceeds	net proceeds
	proceeds	as at	as at
	HK\$'million	30 June	30 June
		2025	2025
	HK\$'million	HK\$'million	HK\$'million
General working capital of the Group	12.938	12.938	–
	12.938	12.938	–

As of the date of this report, the net proceeds have been fully utilised as planned.

For details of the 2024 Subscriptions, please refer to the announcements of the Company dated 21 October 2024, 20 December 2024 and 17 February 2025 and the circular of the Company dated 26 November 2024.

(c) 2025 March Convertible Bonds

On 27 March 2025, the Company entered into the subscription agreement with Mr. Chatchaval Jiaravanon and CMAG Fund SPC, both being subscribers, pursuant to which the Company has conditionally agreed to issue, and the subscribers have conditionally agreed to subscribe for, the bonds in an aggregate principal amount of HK\$120,000,000 (the “2025 March Convertible Bonds”) in order to acquire a land parcel in Thailand and commence the data centre business of the Group in Thailand (details of which are set out in the announcement of the Company dated 27 March 2025). Based on the initial conversion price of HK\$4 per conversion share (subject to adjustment), a maximum of 30,000,000 Shares will be allotted and issued upon exercise of the conversion rights in full. The closing price per Share on the date of subscription agreement (being 27 March 2025) was HK\$4.00.

Use of net proceeds: after deducting related expenses (including professional fees), the estimated net proceeds from the proposed issue of bonds amounted to approximately HK\$119,400,000. The Company intends to allocate up to approximately HK\$60,000,000 for potential land acquisitions, approximately HK\$10,000,000 for the Group’s general working capital, and the remaining balance (up to approximately HK\$49,400,000) for the development of data centres. Upon completion of the subscription, the use of proceeds is intended to be used as planned. The net price per conversion share, which is calculated by dividing the aggregate net proceeds by the maximum number of the Conversion Shares based on the initial conversion price, is approximately HK\$3.98.

As of the date of this report, the above subscription has not yet been completed.

For details of the 2025 March Convertible Bonds, please refer to the announcements or notices of the Company dated 27 March, 30 April, 25 July and 21 August 2025 and the poll results of the extraordinary general meeting held on 19 May 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 30 June 2025, the Company issued the convertible bonds in the principal amount of HK\$20,000,000 to not less than six placees (who are either professional or institutional investors or other investors selected and procured by the placing agent and are independent) pursuant to the placing agreement. The net proceeds from the placing (after deduction of placing commission and other related expenses of the placing) are approximately HK\$19,100,000 which will be applied entirely towards payment of the refundable deposit under the call option deed dated 19 June 2025 entered into between the Company as grantee and Mr. Man as grantor (details of which are set out in the announcement of the Company dated 19 June 2025). The net price per conversion share is approximately HK\$6.11. Assuming full exercise of the conversion rights at the initial conversion price of HK\$6.4 per conversion share (subject to adjustment), the Company will allot and issue up to 3,125,000 Shares. The closing price per Share on the date of the placing agreement (being 19 June 2025) was HK\$5.81.

The planned use of net proceeds, actual use of the net proceeds for this placing and the unutilised remaining net proceeds for the year ended 30 June 2025 are set out below:

Use of net proceeds	Planned use of net proceeds HK\$'million	Actual use of net proceeds as at 30 June 2025 HK\$'million	Unutilised net proceeds as at 30 June 2025 HK\$'million	Expected timeline for utilising the remaining net proceeds as at 30 June 2025
Applied entirely towards payment of the refundable deposit	19.100	–	19.100	On or before 31 December 2025
	19.100	–	19.100	

As of 30 June 2025, the net proceeds had not been utilized. On 3 July 2025, the net proceeds were fully applied as planned, entirely towards payment of the refundable deposit.

For details of the placing of convertible bonds under general mandate, please refer to the announcements of the Company dated 19 June and 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During the Reporting Period, the Group financed its operations by internally generated cash flow, the net proceeds from the issue of new shares under specific mandate, the net proceeds from the placing of convertible bonds under general mandate, and the new shares issued upon conversion of February 2024 Convertible Bonds. As at 30 June 2025, the net current assets of the Group amounted to approximately RMB13.2 million (30 June 2024: approximately RMB6.5 million), including bank balances and cash of approximately RMB42.2 million (30 June 2024: approximately RMB22.1 million). As at 30 June 2025, the Group had no outstanding interest-bearing bank loans (30 June 2024: the Group had no outstanding interest-bearing bank loans). As at 30 June 2025, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.2 (30 June 2024: 1.1).

CAPITAL STRUCTURE

According to the announcement of the Company dated 20 December 2024, the 2024 Subscriptions took place on 20 December 2024, and a total of 45,000,000 subscription shares have been allotted and issued to the subscribers at the subscription price of HK\$0.30 per subscription share pursuant to the terms of the subscription agreements. During the Reporting Period, all of the February 2024 Convertible Bonds were fully converted into a total of 18,155,197 ordinary shares of the Company.

As at 30 June 2025, the Company's issued capital was approximately HK\$15,388,853 and the number of its issued ordinary shares was 153,888,529 of par value of HK\$0.1 each.

As at 30 June 2025, the Group's total equity attributable to owners of the Company amounted to approximately RMB35.9 million (30 June 2024: approximately RMB19.8 million). The Group's equity attributable to owners of the Company included share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's business transactions are mainly conducted in RMB, the exposure of the Group to foreign exchange fluctuations was not significant. As at 30 June 2025, the Group was not a party to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The gearing ratio as at 30 June 2025 (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 2.13 times (30 June 2024: approximately 2.27 times).

CAPITAL COMMITMENTS

As at 30 June 2025, save as disclosed in Pledge of Assets in this report, the Group did not have any significant capital commitments.

PLEDGE OF ASSETS

On 25 January 2022, the Company entered into an agreement with Yaobang Group, pursuant to which the Company provided a parcel of land and buildings located at Chengdu City as pledge for the term of 36 months to assist Yaobang Group in obtaining financing from Bank(s) of up to RMB60,000,000 to develop the data centre business in the PRC. Such agreement was approved at the extraordinary general meeting on 12 April 2022.

On 25 May 2022, Yaobang Group entered into an agreement with ICBC relating to working capital loans in an amount of RMB45.0 million with a term of 12 months. On 7 June 2024, the Intermediate People's Court of Dongguan City, Guangdong Province, issued a final judgment confirming that the bank may enforce the pledge and sell the properties by auction to settle the debt. For further details, please refer to the Company's announcement dated 25 January 2022, circular dated 25 March 2022, and subsequent voluntary announcements dated 2 June 2023 and 24 January 2024. For the latest developments, please refer to the content set out in the subsection headed "Other Matters During the Previous Financial Years" under the section headed "Management Discussion and Analysis" of this report.

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

SIGNIFICANT INVESTMENTS HELD

As disclosed in the Company's 2022/23 annual report, the Group subscribed certain wealth management products from Zhongzhi Enterprise Group (details of which are set out in the Company's announcements dated 11 August 2023 and 25 August 2023). Three of these wealth management products with the aggregate principal amount of RMB10 million had become overdue without being redeemed pursuant to the terms of the subscription agreement. As the probability of redemption of the above financial products was relatively low, full provision for asset losses had been made in the previous two financial years. However, there was no individual investment with a carrying value of 5% or more of the Group's total assets as at 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Period, the Group completed the acquisition of two parcels of industrial land in Inner Mongolia: 50,034 square meters in Hohhot (RMB13.2 million) and 107,969.77 square meters in Xilingol League (RMB15.9 million), totaling approximately RMB29.1 million, each with a 50-year right of use, for the construction of self-owned data centres. At the same time, the Group has been actively seeking suitable land parcels in Thailand for the construction of data centres and has signed multi-year cooperation agreements with top-tier network companies to provide long-term data centre services. Based on the preliminary assessment, the total area of target land is expected to be approximately 140,000 square meters. To this end, the Company proposed the issue of the 2025 March Convertible Bonds (for details, please refer to the announcement dated 27 March 2025) to finance land acquisition and data centre construction. It plans to allocate up to HK\$60,000,000 for land acquisition, HK\$49,400,000 for data centre development, and approximately HK\$10,000,000 for the Group's general working capital, which aligns with the Group's development strategy and generates long-term benefits for the Group.

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2025, the Group engaged a total of 197 employees (30 June 2024: 142) including the Directors. During the Reporting Period, total staff costs (including equity-settled share-based payment to Directors) amounted to approximately RMB15.8 million (the corresponding period of last year: approximately RMB14.6 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The environment, social and governance report of the Group for the Reporting Period will be issued on the websites of the Stock Exchange and the Company (www.qtbjgj.com) on 26 September 2025.

OTHER MATTERS DURING THE PREVIOUS FINANCIAL YEARS

1. As disclosed in the 2022/23 annual report of the Company, the Group subscribed to certain wealth management products from Zhongzhi Enterprise Group (details of which are set out in the Company's announcements dated 11 August 2023 and 25 August 2023). Three of these wealth management products totaling RMB10 million had become overdue without being redeemed pursuant to the terms of the subscription agreement, and full provision for losses had been made in the last two financial years.

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

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

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

2. Litigation: References are made to the announcements of the Company dated 25 January 2022, 2 June 2023, 24 January 2024 and 2 July 2024 and the circular of the Company dated 25 March 2022 in relation to the pledge of land and buildings located in Chengdu provided by the Company to assist Yaobang Group in obtaining financing from Bank(s) of up to RMB60,000,000 (with a final loan of RMB45.0 million obtained) to develop the data centre business in the PRC. The judgement of the Dongguan Third Primary People's Court, Guangdong (廣東省東莞市第三人民法院) handed down on 16 January 2024 confirming the disposal rights of the bank to enforce the pledge and sell the properties by auction to settle the debt. Following appeals by Sichuan Greenland and the bank, the Intermediate People's Court of Dongguan City, Guangdong Province rendered a final judgment on 7 June 2024, upholding the original judgment.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the 2022/23 annual report, the Group has made an impairment loss of approximately RMB49.8 million on the pledged properties.

Sichuan Greenland received the court's appraisal report and auction notice in early July 2025, with an auction starting price of RMB87.3084 million. The Company will closely monitor the progress of the auction.

In response, the Board has instructed the management to establish a special working group to fully initiate the evaluation and selection of new production sites, to facilitate the relocation of the Group's production base currently located at the Properties when the Bank enforces its disposal rights. In addition, Shangcheng Smart, which was established by the Group in the last financial year, is also preparing to undertake part of the production capacity from the aforementioned production facilities.

The Group has filed a lawsuit against the Borrower and applied for property preservation measures, which have been accepted by the Court. The Court's default judgment on 20 June 2024 required the Borrower to release the mortgage and pay fees. As of the date of this report, the defendant has not yet fulfilled the responsibilities and obligations undertaken pursuant to the aforementioned judgment. The Group will continue to take legal measures to safeguard the interests of the Group.

EVENTS AFTER THE REPORTING PERIOD

The following are material events after the reporting period:

On 27 March 2025, pursuant to a subscription agreement dated 2 March 2025, the Company conditionally agreed to issue, and Mr. Chatchaval Jiaravanon and CMAG Fund SPC (the "Subscribers") as subscribers conditionally agreed to subscribe for convertible bonds in an aggregate principal amount of HK\$120 million (initially as to HK\$90 million to Mr. Chatchaval Jiaravanon and HK\$30 million to CMAG Fund SPC) at the initial conversion price of HK\$4 per conversion share. Upon full conversion, Mr. Chatchaval Jiaravanon would be interested in 22,500,000 conversion shares, representing approximately 14.62% of the total issued share capital of the Company as at 30 June 2025. Subsequently:

1. On 25 July 2025, the Company and the Subscribers entered into a supplemental agreement to extend the Long Stop Date to 20 August 2025 (or such other date as may be agreed between the parties in writing), and to revise the conditions precedent. Please refer to the announcement of the Company dated 25 July 2025 for further details.
2. On 21 August 2025, the Company and the Subscribers entered into a further supplemental agreement to further extend the Long Stop Date to 30 September 2025 (or such other date as may be agreed between the parties in writing), and to revise the maturity date of the Bonds to one month after the Bonds Issue Date (or the next business day if it falls on a non-business day). Please refer to the announcement of the Company dated 21 August 2025 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board considers that the terms of the aforesaid supplemental agreements are fair and reasonable and are in the overall interests of the Shareholders, and do not constitute a material change to the original subscription agreement dated 27 March 2025.

For details regarding the supplemental agreement for the issue of convertible bonds under specific mandate, please refer to the announcements of the Company dated 25 July and 21 August 2025.

Save as aforesaid, as of the date of signing of this report, the Company has no other material events after the reporting period.

CHANGES IN DIRECTORS' INFORMATION

On 18 October 2024, (1) Mr. Yi Cong resigned as chief executive officer but remained as an executive Director; (2) Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti resigned as independent non-executive Directors and ceased to be members of the audit committee, nomination committee and remuneration committee; and (3) Ms. Chan Pui Shan and Mr. Lin Xiaodong were appointed as independent non-executive Directors and members of the audit committee, nomination committee and remuneration committee. For details, please refer to the announcement of the Company dated 18 October 2024.

On 23 December 2024, Mr. Lai Ningning, an executive Director, was appointed as the chief executive officer of the Company. For details, please refer to the announcements of the Company dated 23 December and 24 December 2024.

Save as disclosed above, there were no changes in the information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the year ended 30 June 2025 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Group's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the GEM Listing Rules. During the year ended 30 June 2025 and up to the date of this report, the Group has complied with the applicable code provisions ("**Code Provisions**") of the CG Code, except for the following deviations:

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

The Company does not have a chairman of the Board since the resignation of Mr. Ma Gary Ming Fai from that position in September 2018. The duties of the chairman have been taken up by the chief executive officer of the Company during the transition period. The Board is in the process of locating appropriate candidate to fill the vacancy of the chairman. During the Reporting Period, the duties of the chairman were performed by Mr. Yi Cong, the Chief Executive Officer. Since Mr. Yi Cong resigned as the Chief Executive Officer on 18 October 2024, the duties of the chairman of the Board have been performed by Mr. Lai Ningning, who was appointed as the Chief Executive Officer, from 23 December 2024 onwards. 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 14 October 2024 (the "**2024 AGM**"). Representative(s) of the external auditor, ZHONGHUI ANDA CPA Limited, also attended the 2024 AGM. The Company considers that the members of the Board who attended the 2024 AGM were able to sufficiently answer questions from shareholders at the 2024 AGM.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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

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

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

Board composition

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

Executive Directors

Mr. Lai Ningning (*Chief Executive Officer*) (appointed on 2 August 2021 and appointed as Chief Executive Officer on 23 December 2024)
Mr. Yi Cong (appointed on 19 May 2016, resigned as compliance officer on 1 April 2021, resigned as Chief Executive Officer on 18 October 2024, and remained as an executive Director)
Mr. Liang Xing Jun (appointed on 19 May 2016)
Mr. Ma Gary Ming Fai (*compliance officer*) (appointed on 1 April 2021)

Non-executive Director

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016 and resigned on 18 October 2024)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022 and resigned on 18 October 2024)
Ms. Chan Pui Shan (appointed on 18 October 2024)
Mr. Lin Xiaodong (appointed on 18 October 2024)

CORPORATE GOVERNANCE REPORT

The details of Directors are set out in the section headed “Biographies of Board of Directors and Senior Management” on pages 63 to 65 of this report. The wife of Mr. Yi Cong is the sister of the wife of Mr. Liang Xing Jun. Other than that, there are no family or other material relationships among members of the Board.

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

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

Number of Meetings and Directors’ Attendance

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

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

CORPORATE GOVERNANCE REPORT

Name of Directors	Attendance/Number of meetings				Annual	Extraordinary
	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting	General Meeting
Executive Directors:						
Mr. Lai Ningning	11/11	–	–	–	1/1	2/2
Mr. Yi Cong	10/11	–	–	–	1/1	2/2
Mr. Liang Xing Jun	11/11	–	–	–	1/1	2/2
Mr. Ma Gary Ming Fai	11/11	–	–	–	1/1	2/2
Non-executive Director:						
Mr. Luo Guoqiang	11/11	–	–	–	1/1	2/2
Independent Non-executive Directors:						
Mr. Chan Wing Kit	11/11	1/2	1/1	1/1	1/1	2/2
Ms. Cao Shao Mu	1/11	0/2	0/1	0/1	0/1	1/2
Mr. Li Saint Chi Sainti	2/11	1/2	1/1	1/1	1/1	1/2
Ms. Chan Pui Shan	9/11	1/2	0/1	0/1	0/1	1/2
Mr. Lin Xiaodong	9/11	1/2	0/1	0/1	0/1	1/2

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

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

Practice and Conduct of Meetings

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

CORPORATE GOVERNANCE REPORT

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

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

Appointment and Re-election of Directors

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

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

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

The non-executive Directors should be appointed for a specific term and subject to re-election. Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company. The appointment letter of each of the non-executive Director and independent non-executive Directors is for a term of three years commencing from the Listing Date (i.e. 20 January 2017) or their appointment date (as the case may be), which would be renewed yearly when expired and may be terminated by not less than three months' notice in writing served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles. Details of the appointment letters are summarised in the Report of the Board of Directors on pages 45 to 46 of this report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

The newly appointed Directors, Ms. Chan Pui Shan and Mr. Lin Xiaodong, have been provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. Each of Ms. Chan and Mr. Lin has been provided with necessary induction and information to ensure that she/he has a proper understanding of the Company's operations and businesses as well as her/his responsibilities under relevant statutes, laws, rules and regulations. Each of Ms. Chan and Mr. Lin also confirmed that she/he had obtained the legal advice as referred to in Rule 5.02D of the Listing Rules on 3 October 2024, and understood her/his obligations as Directors.

Independent non-executive Directors

Mr. Chan Wing Kit, Ms. Chan Pui Shan and Mr. Lin Xiaodong were appointed as the independent non-executive Directors. The appointment of Mr. Chan Wing Kit became effective from 17 December 2016, and the appointments of Ms. Chan Pui Shan and Mr. Lin Xiaodong became effective from 18 October 2024. The appointment of Ms. Cao Shao Mu became effective from 17 December 2016 and she resigned on 18 October 2024. The appointment of Mr. Li Saint Chi Sainti became effective from 1 June 2022 and he resigned on 18 October 2024.

The Company has received from each of its independent non-executive Directors their written annual confirmation of his/her independence. Each independent non-executive Director confirmed that he/she has no relationship with the Company, its controlling shareholders and other Directors, and that no material conflicts of interest may affect his/her independence, meeting the independence criteria set out in Rule 5.09 of the GEM Listing Rules. The Company also considers the independent non-executive Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

Non-executive Director

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

Executive Directors

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

CORPORATE GOVERNANCE REPORT

On 18 October 2024, Mr. Yi Cong resigned as Chief Executive Officer and remained as an executive Director. On 23 December 2024, Mr. Lai Ningning, an executive Director, was appointed as the Chief Executive Officer and, by the order of the Board, is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Chan Pui Shan and Mr. Lin Xiaodong. On 18 October 2024, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti ceased to be members of the Audit Committee; and Ms. Chan Pui Shan and Mr. Lin Xiaodong were appointed as members of the Audit Committee. Mr. Chan Wing Kit is the chairman of the Audit Committee.

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

The Audit Committee has reviewed the Group's consolidated financial statements for the Reporting Period. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 29 in this report.

Remuneration Committee

The Remuneration Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Chan Pui Shan and Mr. Lin Xiaodong. On 18 October 2024, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti ceased to be members of the Remuneration Committee; and Ms. Chan Pui Shan and Mr. Lin Xiaodong were appointed as members of the Remuneration Committee. Mr. Chan Wing Kit is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review, assessing performance of Directors and approve the management's remuneration proposals, and ensure none of the Directors determine their own remuneration. The Remuneration Committee is also responsible for reviewing and/or approving matter relation to share schemes under Chapter 23 of the GEM Listing Rules and approving the grant of options and share awards to eligible participants pursuant to the share schemes of the Company. The Remuneration Committee has adopted the approach made under E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Director and senior management of the Company. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Remuneration Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 29 in this report.

Senior Management's remuneration

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

RMB	Number of Individuals
Nil to 1,000,000	4

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

Remuneration policy

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

Nomination Committee

The Nomination Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Chan Pui Shan and Mr. Lin Xiaodong. On 18 October 2024, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti ceased to be members of the Nomination Committee; and Ms. Chan Pui Shan and Mr. Lin Xiaodong were appointed as members of the Nomination Committee. Mr. Chan Wing Kit is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

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

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

- (a) integrity;
- (b) accomplishment, experience and reputation in the relevant industry and other relevant sectors;
- (c) commitment in respect of sufficient time, interests and attention to the Company's business;
- (d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- (e) the ability to assist and support management and make significant contributions to the Company's success;
- (f) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and
- (g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The full terms of reference setting out details of duties of the Nomination Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Nomination Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 29 in this report.

ACCOUNTABILITY AND AUDIT

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The reporting responsibilities of the Company's auditor, Zhonghui, are set out in the Independent Auditor's Report on pages 67 to 70 of this report.

AUDITOR'S REMUNERATION

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

Services rendered	HK\$'000
Annual audit service for the Reporting Period	700
Non-audit service for the Reporting Period	10
Total	710

CORPORATE GOVERNANCE FUNCTIONS

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

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

BOARD DIVERSITY POLICY

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

CORPORATE GOVERNANCE REPORT

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

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

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

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. The Group thinks highly of employee diversity and avoids discrimination and unfairness in any aspects, including age and location. The Company welcomes all genders to join. The recruitment strategy is to employ a right staff for a right position regardless of the gender. The Company commits to providing equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits. Currently, the male to female ratio in the workforce of the Group including and excluding senior management are approximately 75:25 and 74:26, respectively. The Board considers that the gender diversity in workforce is currently achieved.

SECURITIES TRANSACTIONS BY DIRECTORS

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

COMMUNICATION WITH SHAREHOLDERS

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

Significant Changes in the Constitutional Documents

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

CORPORATE GOVERNANCE REPORT

General Meetings with Shareholders

The Company's annual general meeting will be held on 20 October 2025.

SHAREHOLDERS' RIGHTS

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

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

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

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

(c) Enquiries to the Board

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

INVESTOR RELATIONS

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

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

On 31 May 2023, Ms. Yuen Lai Sheung was appointed as the company secretary of the Company. Ms. Yuen holds a Bachelor's Degree of Accounting from Monash University in Australia and she is currently a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Her primary contact at the Company are Mr. Lai Ningning, the Chief Executive Officer and Mr. Ma Gary Ming Fai, the Executive Director.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

CORPORATE GOVERNANCE REPORT

Our Enterprise Risk Management Framework

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

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

Principal Risks

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

Risk Areas	Principal Risks
Strategic Risks	Manufacturing and sales of furniture business: the risk of continuous contraction in the furniture market due to the long-term downturn in the real estate market, the sustainability risk of the Sichuan Greenland production site, and strategic risks brought by customer concentration and external environmental fluctuations for Shangcheng Smart Home; and data centre business: insufficient competitiveness of the existing sub-leasing dominant model, and the risk of lacking a strategic moat
Compliance Risks	Manufacturing and sales of furniture business: information security and compliance transmission risks for financial reporting; and data centre business: risks involving the non-compliance by financial reporting transmission with information security control requirements
Operational Risks	Manufacturing and sales of furniture business: risks involving lack of budget management and financial analysis system, risks involving concentration of payment process authority and lack of control for Shangcheng Smart; and data centre business: risks involving the failure to prepare annual financial budgets and financial analysis reports according to regulations
Financial Risks	Manufacturing and sales of furniture business: risks involving failure in inventory aging management and value monitoring

CORPORATE GOVERNANCE REPORT

Our Risk Control Mechanism

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

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

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

REPORT OF THE BOARD OF DIRECTORS

The Chief Executive Officer and the executive Director of the Company presents his report and the audited consolidated financial statements of the Group for the Reporting Period.

BUSINESS REVIEW

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

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC from 2020. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties. In June 2021, WNT, a subsidiary of the Company, entered into a management agreement with Gu'an Fu'ai to commence buildout management service business.

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

During the Reporting Period, the Group successfully bid for industrial land parcels in Hohhot City (50,034 square metres) and Xilin Gol League (107,969.77 square metres), respectively, through its subsidiaries Inner Mongolia Haoyang (內蒙古皓揚) and Inner Mongolia Haokuan (內蒙古皓寬), which are intended for the construction of proprietary data centres to enhance the Company's competitiveness. In order to concentrate resources for entering the data centre market in Thailand, the Company proposed to issue convertible bonds under special mandate to acquire land in Thailand and construct a data centre thereon. This initiative aligns with the Group's development strategy and aims to create long-term benefits for the Group.

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

REPORT OF THE BOARD OF DIRECTORS

Key Performance Indicators

During the Reporting Period, Sichuan Greenland's traditional furniture business continued to decline, while Shangcheng Smart's furniture business maintained steady growth, which, to a certain extent, partially offset the impact of Sichuan Greenland's business contraction. The Group's tender sales of furniture were approximately RMB20.03 million, which represented approximately 39.0% of its sale volume of the furniture business for the Reporting Period, and approximately 28.8% of the total revenue for the Reporting Period. The following table sets out the breakdown of submitted tenders to potential customers for the Reporting Period:

	During the Reporting Period
Number of tenders submitted	152
Value of total tenders submitted	RMB50.6 million
Number of tenders won	142
Value of total tenders won	RMB22.1 million
Success rate (by number of tenders submitted)	93.4%
Success rate (by value of tenders submitted)	43.6%

Future Developments and Prospects

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

Principal Risks and Uncertainties

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

SHARE CAPITAL AND SHARES ISSUED

The authorised share capital of the Company is HK\$30,000,000 divided into 300,000,000 shares of par value HK\$0.1 each, of which 153,888,529 shares of par value HK\$0.1 each are in issue.

Details of movements in the share capital of the Company for the year ended 30 June 2025 and details of the Shares issued for the year ended 30 June 2025 are set out in Note 28 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 34 to the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS

RESULTS AND DIVIDENDS

Dividend Policy

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

- (i) the general financial condition of the Group;
- (ii) capital and debt level of the Group;
- (iii) future cash requirements and availability for business operations, business strategies and future development needs;
- (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- (v) any other factors that the Board deems appropriate.

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

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

The financial performance of the Group for the Reporting Period and the financial position of the Company and the Group as at that date are set out in the consolidated financial statements on pages 71 to 135 of this report.

The Board has resolved not to recommend the declaration and payment of any interim or final dividend during the year ended 30 June 2025 (last financial year: Nil). No shareholder has agreed to waive dividends.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWING

As of 30 June 2025, the Group has no outstanding bank loans.

REPORT OF THE BOARD OF DIRECTORS

CONVERTIBLE BONDS ISSUED

Details of the convertible bonds issued for the year ended 30 June 2025 are set out in the section headed “Convertible Bonds” under “Management Discussion and Analysis” of this report and Note 25 to the consolidated financial statements. Save for the above, the Company did not issue any debenture during the Reporting Period.

INTEREST CAPITALISED

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2025, the distributable reserves of the Company amounted to approximately RMB21.9 million.

PURCHASE, SALE OR REDEMPTION OF LISTED OR REDEEMABLE 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 (including treasury shares) or redeemable securities in the Company.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the year ended 30 June 2025, save for the convertible bonds as disclosed under the paragraph headed “Convertible Bonds” in the section headed “Management Discussion and Analysis” of this annual report, there had been no convertible securities, options, warrants or other similar rights issued or granted by the Company and there had been no exercise of convertible securities, option, warrants or similar rights.

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme as disclosed in the paragraph headed “Share Option Scheme” of this report and the placing agreement and the subscription agreements as disclosed under the paragraph headed “Convertible Bonds” in the section headed “Management Discussion and Analysis” of this annual report, no equity-linked agreements were entered into by the Company during the year ended 30 June 2025 or subsisted at the end of the year.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

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

Executive Directors:

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

Non-executive Director:

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors:

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016, and resigned on 18 October 2024)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022, and resigned on 18 October 2024)
Ms. Chan Pui Shan (appointed on 18 October 2024)
Mr. Lin Xiaodong (appointed on 18 October 2024)

Confirmation of Independence

Each independent non-executive Director has given the Company a written annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules, confirming that they are not connected with the Company, its controlling shareholders, or any other Directors, and have no material conflicts of interest that could affect their independence, thus satisfying the independence criteria under Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 63 to 66 of this report.

DIRECTORS' SERVICE CONTRACTS

(a) Executive Directors

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

REPORT OF THE BOARD OF DIRECTORS

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

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

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

EMOLUMENT POLICY

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

PERMITTED INDEMNITY

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

REPORT OF THE BOARD OF DIRECTORS

DISCLOSURE OF INTERESTS

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

As at 30 June 2025, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the SFO; (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary shares held/interested	Approximate percentage of the Company's issued share capital (Note 4)
Mr. Lai Ningning (“Mr. Lai”)	Interest in a controlled corporation (Note 1)	33,000,000 (Long position)	21.44%
Mr. Ma Gary Ming Fai (“Mr. Ma”)	Interest in a controlled corporation (Note 2)	26,330,040 (Long position)	17.11%
Mr. Yi Cong (“Mr. Yi”)	Interest of spouse (Note 3)	8,040,000 (Long position)	5.22%

Notes:

- Such Shares are held by Lightning Cloud Ltd., which is owned as to 100% by Mr. Lai. By virtue of the Securities and Futures Ordinance (the “SFO”), Mr. Lai is deemed to be interested in the shares held by Lightning Cloud Ltd..
- Such shares are held by Sun Universal Limited, and its 100% equity interest is owned by Mr. Ma. Mr. Ma is deemed to be interested in the shares held by Sun Universal Limited for the purpose of Part XV of the SFO.
- Mr. Yi is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi is deemed to be interested in the shares held by Ms. Zhang Gui Hong for the purpose of Part XV of the SFO.
- Based on the total number of 153,888,529 ordinary shares in issue as at 30 June 2025.

REPORT OF THE BOARD OF DIRECTORS

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

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

As at 30 June 2025, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares held/interested	Approximate percentage of the Company's issued share capital (Note 5)
Lightning Cloud Ltd. ("Lightning Cloud")	Beneficial owner	33,000,000 (Long position)	21.44%
Sun Universal Limited ("Sun Universal")	Beneficial owner	26,330,040 (Long position)	17.11%
Ms. Hung Fung King Margaret ("Ms. Hung")	Interest of spouse (Note 1)	26,330,040 (Long position)	17.11%
Mr. Chatchaval Jiaravanon ("Mr. Chatchaval")	Beneficial owner (Note 2)	22,500,000 (Long position)	14.62%
Z Living International Company Limited ("Z Living International")	Beneficial owner (Note 3)	12,000,000 (Long position)	7.80%
Brilliant Talent Global Limited ("Brilliant Talent")	Beneficial owner (Note 4)	8,040,000 (Long position)	5.22%
Ms. Zhang Gui Hong ("Ms. Zhang")	Interest in a controlled corporation (Note 5)	8,040,000 (Long position)	5.22%

Notes:

1. Sun Universal is owned as to 100% by Mr. Ma, and Ms. Hung is the spouse of Mr. Ma. Accordingly, Ms. Hung is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the SFO.

REPORT OF THE BOARD OF DIRECTORS

2. Pursuant to a subscription agreement dated 27 March 2025, the Company conditionally agreed to issue, and Mr. Chatchaval Jiaravanon and CMAG Fund SPC conditionally agreed to subscribe for convertible bonds in an aggregate principal amount of HK\$120 million (initially as to HK\$90 million to Mr. Chatchaval Jiaravanon and HK\$30 million to CMAG Fund SPC) at the initial conversion price of HK\$4 per conversion share. Upon full conversion, Mr. Chatchaval Jiaravanon would be interested in 22,500,000 conversion shares, representing approximately 14.62% of the total issued share capital of the Company as at 30 June 2025.
3. Z Living International, a company incorporated in Hong Kong with limited liability, is wholly owned by Mr. Zhang Ditang (張棟棠). Mr. Zhang Ditang (張棟棠) is deemed to be interested in the shares held by Even Joy for the purpose of Part XV of the SFO.
4. The entire issued share capital of Brilliant Talent is legally and beneficially owned by Ms. Zhang. Ms. Zhang is deemed to be interested in the shares held by Brilliant Talent for the purpose of Part XV of the SFO.
5. Based on the total number of 153,888,529 ordinary shares in issue as at 30 June 2025.

Save as disclosed above, as at 30 June 2025, the Company had not been notified by any person who had interests or short positions in the shares, underlying shares or debentures of the Company required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

(a) Purpose of Share Option Scheme

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

(b) Who may join

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

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

REPORT OF THE BOARD OF DIRECTORS

- (iii) any supplier of goods or services to any member of the Group or any invested entity;
- (iv) any customer of the Group or any invested entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any invested entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any invested entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; and
- (viii) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of the Group,

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

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

(c) Total number of shares to be issued

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

REPORT OF THE BOARD OF DIRECTORS

- (iii) The Company may also grant options beyond the 10% limit by seeking shareholders' approval in a general meeting, provided that the grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. In such event, the Company shall send a circular to its shareholders containing a generic description of the specified grantees who may be granted such options, the number and terms of such options to be granted, the purpose of granting such options, an explanation as to how the terms of the options serve such purpose and the information required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, the Company must not grant any options if the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, exceed 30% of the shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

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

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

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

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

- (i) representing in aggregate over 0.1% of the relevant class of shares in issue; and
- (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5.0 million,

REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

(e) Minimum period of holding option and performance target

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

(f) Basis for determining exercise price

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

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

REPORT OF THE BOARD OF DIRECTORS

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

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

(h) Period of the Share Option Scheme

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

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

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 6,500,000 Shares (representing approximately 4.22% of total number of issued shares of the Company as at the date of this report), and as at 30 June 2025, the remaining life of the Share Option Scheme was about 1 year, 5 months and 19 days.

SHARE OPTION DEED

Prior to the Reporting Period and on 2 June 2021, the Company entered into a conditional share option deed (the “**Share Option Deed**”), pursuant to which the options have been granted to Mr. Lai on 2 August 2021 (after the share consolidation on 14 February 2024, adjustments have been made to the number and exercise price of shares to be issued upon exercise of all options, same for the below). Details are as follows:

(a) Reasons for the Share Option Deed

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

(b) Who may join

The Share Option Deed may only be exercisable by Mr. Lai himself. Unless otherwise with prior written consent of the Company, the options shall not be assignable or transferrable by Mr. Lai and may only be exercisable by Mr. Lai himself. Any transfer or assignment of the options made to any connected person of the Company (as defined under the GEM Listing Rules) shall be subject to compliance with the applicable GEM Listing Rules. Subject to the prior written consent of the Company (which may or may not be given at the absolute discretion of the Company), the Options may be assigned or transferred in whole or in part (in whole multiples of 1,000,000 options).

REPORT OF THE BOARD OF DIRECTORS

(c) Total number of shares to be issued

In accordance with and subject to the terms of the Share Option Deed, the total number of shares to be issued shall not be more than 10,000,000 subscription shares.

Upon full exercise of the options, a total of 10,000,000 subscription shares will be issued, representing approximately 6.50% of the total number of issued shares of the Company (being 153,888,529 Shares) as at 30 June 2025, and approximately 6.10% of the enlarged issued share capital of the Company (assuming the options are fully exercised).

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

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

(e) Minimum period of holding option and performance target

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

(f) Option period

The options to subscribe for 10,000,000 subscription shares under the Share Option Deed shall be exercisable according to the following exercise period:

- (1) 4,000,000 options are exercisable during the period commencing from the date of fulfillment of conditions precedent of the Share Option Deed (the "**Grant Date**") to the day immediately prior to the fourth anniversary of the Grant Date;
- (2) 3,000,000 options are exercisable during the period commencing from the first anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date; and
- (3) 3,000,000 options are exercisable during the period commencing from the second anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date.

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

REPORT OF THE BOARD OF DIRECTORS

(g) Basis for determining exercise price

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

Assuming all the options are fully exercised, the subscription price shall be HK\$35,000,000 in total and equivalent to HK\$3.5 per subscription share, which represent (1) a premium of approximately 4.48% over the closing price of HK\$3.35 per share quoted by the Stock Exchange on 2 June 2021 (i.e. the date of the Share Option Deed); (2) a premium of approximately 1.16% over the average closing price of HK\$3.46 per share quoted by the Stock Exchange the last five consecutive trading days up to and including on 2 June 2021; and (3) a discount of approximately 7.89% to the closing price of HK\$3.8 per share quoted by the Stock Exchange on 13 July 2021 (i.e. the latest practicable date of the related circular).

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

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

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

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

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

The Share Option Deed would lapse on the day immediately prior to the fourth anniversary of the grant date (i.e. 1 August 2025). Under the Share Option Deed, the total number of shares to be issued shall not be more than 10,000,000 shares, which represents approximately 6.50% of the total number of issued shares of the Company (being 153,888,529 Shares) as at 30 June 2025. During the Reporting Period, Mr. Lai had not exercised any share option. On 10 January 2025, the Company received a request from Mr. Lai to cancel the aforementioned share options, and therefore the aforementioned share options had lapsed effective from 13 January 2025.

REPORT OF THE BOARD OF DIRECTORS

The abovementioned options shall not confer any voting rights or dividend rights to the holder of the share options and there will be no particular rights arising on liquidation of the Company. Given that the Share Option Deed would be regarded as a one-person share option scheme, the Company will not appoint a trustee for the Share Option Deed for the administration of the Share Option Deed to save administration costs.

The movements in share options granted under the Share Option Scheme and the Share Option Deed during the year ended 30 June 2025 are shown below:

Name of category of participants	Number of share options						Date of grant	Exercise period	Exercise price of share options HK\$ per share
	Outstanding as at 1 July 2024	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2025			
<i>Former Director</i>									
Mr. Li Saint Chi Sainti ("Mr. Li")	200,000	-	-	-	-	200,000	1 June 2022	1 June 2022 – 31 May 2026 (Note 1)	2.2
<i>Director</i>									
Mr. Lai Ningning	10,000,000	-	-	-	10,000,000 (Note 2)	-	2 August 2021	(i) 40,000,000 options are exercisable during the grant date to the day immediately prior to the fourth anniversary of the Grant Date; (ii) 30,000,000 options are exercisable during the period commencing from the first anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date; and (iii) 30,000,000 options are exercisable during the period commencing from the second anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date	3.5
Total	10,200,000	-	-	-	10,000,000	200,000			

REPORT OF THE BOARD OF DIRECTORS

Note:

- (1) The exercise period of the share options granted to Mr. Li was initially from the grant date to the day immediately prior to the fourth anniversary of the grant date (both days inclusive), nevertheless, Mr. Li has resigned as the independent non-executive Director on 18 October 2024. In recognition of Mr. Li's contribution to the Group during his tenure of office, in October 2024, the Board resolved to extend the exercise period to 17 October 2026. The total of 200,000 shares to be subscribed under the Share Option Scheme represent approximately 0.1300% of the existing issued share capital of the Company and approximately 0.1298% of the enlarged issued share capital of the Company, assuming the options are fully exercised.
- (2) On 10 January 2025, the Company received a request from Mr. Lai for cancellation of the share options. Please refer to the announcement of the Company dated 13 January 2025 for further details.
- (3) The number of options available for grant under the Share Option Scheme and the Share Option Deed as of 1 July 2024 and 30 June 2025 were 10,200,000 and 200,000, respectively.
- (4) The maximum number of Shares which may be issued in respect of options and awards granted under all schemes of the Company during the year ended 30 June 2025 divided by the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the year ended 30 June 2025 is approximately 0.16%.

Changes in share options of the Company during the Reporting Period are set out in Note 27 to the consolidated financial statements.

Save as disclosed in Note 27 to the consolidated financial statements, as at 30 June 2025, there was no other share option granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for approximately 42.2% and approximately 64.7% (Previous Reporting Period: 9.7% and approximately 42.3%) of the total revenue of the Group, respectively. The Group's purchase from the largest and the five largest suppliers accounted for approximately 38.4% and approximately 53.6% (Previous Reporting Period: 31.6% and approximately 58.7%) of the total purchases of the Group, respectively. At no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

REPORT OF THE BOARD OF DIRECTORS

CONNECTED/RELATED PARTY TRANSACTIONS

- I. On 2 June 2021, a conditional loan agreement was entered into between the Company as lender and Mega Data Investment Ltd. (the “**SPV**”) as borrower, pursuant to which, the Company shall advance a loan in the aggregate sums of up to RMB100,000,000 (in HK\$ equivalent) in two tranches to the borrower (actually providing RMB50,000,000 to the SPV (the “**Loan**”). The SPV is a special purpose vehicle for the purpose of the formation of a JV. The SPV is owned as to 50% by Cloud Knight Global Limited (“**Cloud Knight**”), which in turn is wholly owned by Mr. Man Lap and as to 50% by Lightning Cloud Limited (“**Lightning Cloud**”), which in turn is wholly owned by Mr. Lai Ningning, an executive Director of the Company.

Since Mr. Lai is an executive Director of the Company, the following transactions completed during the FY2021 constitute connected transactions of the Company pursuant to Chapter 20 of the GEM Listing Rules:

- (1) entering into the above SPV loan agreement; and
- (2) entering into the Share Option Deed (details in the section on Share Option Scheme)

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

The JV SPV is principally engaged in the data centre business in the PRC and holds 100% interest in Gu'an Fu'ai through its subsidiary; and Gu'an Fu'ai has entered into the Buildout Management Agreement with WNT on 1 June 2021. Please also refer to the announcement dated 2 June 2021, the circular dated 16 July 2021 and the announcement dated 2 August 2021 of the Company for further details of the Loan and the buildout construction management agreement.

In FY2021, the Company used the proceeds from the placing of convertible bonds and its own fundings to advance the first tranche of the Loan amounting to RMB50.0 million to the SPV; and relevant interest has been received according to the agreement. During the previous financial year, both the principal and interest income of the above borrowings have been recovered as scheduled after the loan agreement matured. During the previous financial year, the Company borrowed an interest-free, unsecured loan of approximately RMB16.3 million from the SPV. As of 30 June 2025, the outstanding balance of the loan was approximately RMB5.6 million. During the Reporting Period and the corresponding period of last year, there was no buildout management service income from subsidiaries of the abovementioned related companies. For further details of related party transactions, please refer to Note 33 to the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS

- II. Issue of new shares to connected person (connected transaction subject to Shareholders' approval). On 21 October 2024, the Company and the Subscriber I (i.e. Lightning Cloud Ltd.) entered into the Subscription Agreement, pursuant to which the Subscriber I agreed to subscribe for 99,000,000 new shares ("**Subscription Shares I**") at HK\$0.30 per share, at an aggregate consideration of HK\$9,900,000. These shares represent: approximately 36.37% of the issued share capital as at the date of the announcement; approximately 26.67% of the share capital as enlarged by the allotment of Subscription Shares I; and approximately 24.31% of the share capital as enlarged by the allotment of Subscription Shares I and II. The Subscription Shares I have an aggregate nominal value of HK\$3,300,000. The Subscription Price is HK\$0.30 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares I of HK\$9,900,000 payable by the Subscriber I shall be payable in cash upon completion of the Subscription I.

The Subscriber I is wholly and beneficially owned by Mr. Lai, who is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, this subscription constitutes a connected transaction of the Company.

The placing was approved by the Independent Shareholders by way of a special resolution passed on 13 December 2024, with the Independent Board Committee and the Independent Financial Adviser confirming that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole. On 20 December 2024, all conditions precedent of the aforesaid Subscription Agreement have been fulfilled, and the completion took place on 20 December 2024 in accordance with the terms and conditions of the Subscription Agreements.

For specific details of the above subscription, please refer to the announcements or notice issued by the Group on 21 October, 26 November and 20 December 2024, and the poll results of the extraordinary general meeting held on 13 December 2024.

- III. Cancellation of share options by a substantial shareholder (non-material transfer of resources).

Mr. Lai previously held 10,000,000 share options granted on 2 August 2021 with an exercise price of HK\$3.5 per share for a validity period of four years. On 10 January 2025, Mr. Lai made a voluntary application for the cancellation of these share options and confirmed that he had no motivation to further increase his shareholding interest and that he had not received any compensation or consideration arrangements.

As this act constitutes a waiver of rights and does not involve any outflow of resources from the Company or a discloseable transaction as defined in Rule 20.71 of the GEM Listing Rules, for the purpose of transparency, the Company continued to make a voluntary announcement as to this arrangement. The share options lapsed on 13 January 2025.

REPORT OF THE BOARD OF DIRECTORS

IV. Financial assistance from a Director for land acquisition (fully exempt connected transactions).

During the reporting period, to settle the refundable deposit and the consideration for the acquisition of the land use right of two lands located in Hohhot City and Xilingol League, the Inner Mongolia Autonomous Region, respectively, Mr. Lai provided the Group with unsecured and interest-free loan of up to RMB14 million and RMB16 million, respectively, for each of the said land acquisition. Each of the loan term is three years from the date of drawdown. In consideration that: (i) the terms of these financial assistance are better than normal commercial terms (being interest-free and unsecured); and (ii) no assets of the Company or its subsidiaries are pledged as security, these financial assistance constitute “fully exempt connected transactions” of the Company under Rule 20.88 of the GEM Listing Rules, and are exempt from the announcement, circular, and independent shareholders’ approval requirements. However, pursuant to Rule 20.90, the Company is still required to disclose the details of these transactions in its annual report.

For details relating to the acquisition of land use rights and financial assistance from a connected person, please refer to the announcements of the Company dated 14 February 2025 and 16 May 2025, respectively.

The Group confirms that, save as disclosed above, during the year ended 30 June 2025, no other connected transaction or continuing connected transaction that is not exempted under Rule 20.71 of the GEM Listing Rules had been entered into.

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

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Group are set out in the Corporate Governance Report on pages 26 to 40 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of 30 June 2025, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE BOARD OF DIRECTORS

POTENTIAL COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr. Lai Ningning ("Mr. Lai") is the chief executive officer and an executive Director, and a 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 compete or may compete either directly or indirectly with the Group's business. Through Lightning Cloud Ltd., Mr. Lai owns (i) 50% interest in Mega Data Investment Ltd. (a special purpose vehicle that owns 40% interest in the joint venture Cloud Treasure Investment Limited ("**Cloud Treasure**")); and (ii) 50% interest in another special purpose vehicle which indirectly owns a minority shareholder's interest in Cloud Treasure. Cloud Treasure, through its subsidiaries, owns 100% interest in Gu'an Fu'ai Electronics Co. Ltd., which is principally engaged in investment in the data centre business in the PRC, and therefore competes or may compete either directly or indirectly with the Group's business.

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

Mr. Ma Gary Ming Fai ("Mr. Ma") is an executive Director, and Ms. Hung Fung King, Mr. Ma's spouse, holds approximately 99.9% interest in Myshowhome (Hong Kong) Limited ("**Myshowhome HK**"), which in turn holds 100% interest in Dongguan Shangpin Furniture Co., Ltd. (東莞市尚品傢俱有限公司) ("**Shangpin**"). Mr. Ma confirms that 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.

COMPLIANCE WITH LAWS AND REGULATIONS

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

REPORT OF THE BOARD OF DIRECTORS

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 Wednesday, 15 October 2025 to Monday, 20 October 2025, 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 Tuesday, 14 October 2025.

To be valid, this proxy form and the signed power of attorney or other authorisation document (if any), or a copy of the power of attorney or other authorisation document certified by a notary public, must be returned to 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 less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof), i.e., by 11:00 a.m. on Saturday, 18 October 2025 (Hong Kong time).

AUDITOR

The Company has appointed ZHONGHUI ANDA CPA Limited as the auditor of the Company with effect from 15 June 2022 to fill the vacancy following the resignation of BDO Limited and resolved to re-appoint ZHONGHUI ANDA CPA Limited at the annual general meeting held on 14 October 2024 as the auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company.

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

By order of the Board of
Zhi Sheng Group Holdings Limited
Chief Executive Officer and Executive Director
Lai Ningning

Hong Kong, 26 September 2025

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

As at 30 June 2025, the biographies of the Board of Directors and senior management of the Company are as follows:

EXECUTIVE DIRECTORS

Mr. Lai Ningning (賴寧寧), aged 48, was appointed as an executive Director on 2 August 2021. With effect from 23 December 2024, he has been appointed as the Chief Executive Officer of the Company. Mr. Lai holds a bachelor degree in computer science issued by Beijing Union University. Mr. Lai has worked for years with 21Vianet Group Inc. until 2017 when he was appointed as the general manager of the network department and senior vice president of 21Vianet Group Inc. and became shareholder of Beijing Haokuan Network Technology Co., Ltd.* (北京皓寬網絡科技有限公司) in 2017. Mr. Lai has years of experience and expertise in the data centre industry. Pursuant to the Share Option Deed, the Company has conditionally agreed to grant the options to Mr. Lai, such that Mr. Lai shall be entitled to require the Company to allot and issue up to a maximum of 10,000,000 subscription shares (share options have been adjusted after share consolidation on 14 February 2024) at the subscription price. On 10 January 2025, the Company received Mr. Lai's request to cancel the aforesaid share options. Please refer to the announcement of the Company dated 13 January 2025 for further details.

Mr. Lai owns the entire issued share capital of Lightning Cloud Ltd., one of the substantial shareholders of the Company, which beneficially owns 33,000,000 shares (after the share consolidation on 14 February 2024) or approximately 21.44% of the issued share capital of the Company.

Mr. Yi Cong (易聰), aged 61, one of the founders of Sichuan Greenland, the executive Director of the Company. Mr. Yi was appointed as a Director on 19 May 2016 and re-designated as an executive Director, the Chief Executive Officer and compliance officer on 19 December 2016. Mr. Yi joined the Group in September 1996 and is currently also a director and general manager of Sichuan Greenland. He is primarily responsible for the overall business strategies, planning and development of the Group, managing key customer relationships and overseeing sales and marketing of the Group. Mr. Yi resigned from the position of compliance officer in order to focus his efforts on the Company's business pursuits with effect from 1 April 2021. With effect from 18 October 2024, Mr. Yi has resigned as the Chief Executive Officer of the Company and remained as an executive Director. Mr. Yi graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (中國電子科技大學)) in September 1989 with a college diploma* (專科) majoring in wireless electronics. Mr. Yi was recognised by the Chengdu Chamber of Commerce for Furniture Industry* (成都市傢俱行業商會) as the "Person of the Year"* (年度風雲人物) in 2010 and an "Influential Entrepreneur in China Furniture Industry"* (影響中國行業傑出企業家) in 2012. Mr. Yi Cong's wife, Ms. Zhang Gui Hong ("**Ms. Zhang**"), is the sister of Mr. Liang Xing Jun's wife. Ms. Zhang is the sole shareholder of Brilliant Talent Global Limited, one of the substantial shareholders of the Company, which owns 8,040,000 shares of the Company (after the share consolidation on 14 February 2024). Accordingly, Mr. Yi Cong is deemed to be interested in all the shares which Ms. Zhang is interested for the purpose of Part XV of the SFO.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liang Xing Jun (梁興軍), aged 62, was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. He is primarily responsible for the overall production management of the Group. Mr. Liang joined the Group in September 1996 and has over 26 years of experience in the furniture industry. Mr. Liang is currently the head of the production department at Sichuan Greenland. Mr. Liang graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (中國電子科技大學)) in July 1984 with a college diploma* (專科) in vacuum electronic technology* (真空電子技術). Mr. Liang Xing Jun's wife is the sister of Mr. Yi Cong's wife.

Mr. Ma Gary Ming Fai (馬明輝), aged 61, was appointed as an executive Director and compliance officer on 1 April 2021. He is primarily responsible for the finance and compliance of the Group. Mr. Ma was the chairman of the Board and non-executive Director of the Company in January 2017 when the Company listed on GEM of the Stock Exchange. In September 2018, he resigned as the chairman of the Board and non-executive Director of the Company in order to focus his efforts on his other business pursuits. In January 2020, when the Company acquired the data centre business, Mr. Ma was appointed as representative to the board of the data centre business that oversees and reviews the operations of the data centre business and would report to the Board if required. Mr. Ma graduated from the University of Calgary, Canada in June 1985 with a Bachelor of Commerce degree. He is a member of the Institute of Chartered Accountants of Ontario in Canada. Mr. Ma is the sole shareholder of Sun Universal Limited, one of the substantial shareholders of the Company which beneficially owns 26,330,040 shares (after the share consolidation on 14 February 2024) or approximately 17.11% of the issued share capital of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang (羅國強), aged 54, was appointed as a non-executive Director on 28 September 2018. Mr. Luo worked as a credit department officer during July 1991 to August 2003 before resigning from the Qiaotou branch of Industrial and Commercial Bank of China in Dongguan (中國工商銀行東莞橋頭支行). Since August 2003, Mr. Luo was appointed as a financial manager in a furniture company at Dongguan, mainly responsible for finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit (陳永傑), aged 53, was appointed as the independent non-executive Director of the Company on 17 December 2016 and was appointed as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Chan obtained a Bachelor of Commerce degree from Monash University in Australia. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.

Since 30 June 2025, Mr. Chan has served as the company secretary of Regal Partners Holdings Limited (Stock Code: 1575, "**Regal Partners**"), and subsequently with effect from 25 July 2025, he is appointed as an executive Director and Chief Executive Officer of Regal Partners. He has a wealth of experience, as he previously served as an executive director, chief financial officer, company secretary and financial controller of another company listed on The Stock Exchange of Hong Kong Limited ("**the Stock Exchange**").

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan Pui Shan (陳珮珊), aged 51, was appointed as an independent non-executive director and members of each of the audit committee, the nomination committee and the remuneration committee of the Company on 18 October 2024. Ms. Chan has over 25 years of experience in senior management communications, marketing & public relations, partnership development, and investor relations across venture capital industries. Ms. Chan serves as the Head of Marketing, Ecosystem & Partnership for a Hong Kong-based venture capital firm founded in 2017. She joined the venture capital firm in the same year and is responsible for partnership build-up, marketing, post-deal management, investor relations, and human resources. Ms. Chan sometimes represents the venture capital firm as a speaker at industry events. Prior to this, Ms. Chan acted as the Group Director of Marketing and Corporate Communications, which she orchestrated the marketing and PR strategies and offered strategic advice to C-level executives on key initiatives. She played a pivotal role in the group's incubation team, successfully integrating B2B start-ups with existing enterprise solutions. Ms. Chan began her career at Intergraph, a global leader in engineering and geospatial software, where she contributed to significant Hong Kong SAR Government and utilities projects. Ms. Chan holds a Bachelor's degree in English for Professional Communications from The City University of Hong Kong and a Master of Business Administration degree from The Chinese University of Hong Kong.

Mr. Lin Xiaodong (林小冬), aged 51, was appointed as an independent non-executive director and members of each of the audit committee, the nomination committee and the remuneration committee of the Company on 18 October 2024. Mr. Lin has over 27 years in business management. He joined Beijing Wanwei Yunlian Technology Co., Ltd.* (北京萬為雲聯科技有限公司) since 2019 as deputy general manager and is responsible for the operation of the company. Before joining Beijing Wanwei Yunlian Technology Co., Ltd.* (北京萬為雲聯科技有限公司), he was the vice president at a network service provider in Greater China from 2000 to 2018 and responsible for the business management of network product BU, the overall operating profit and loss of the network business, the management of the product marketing team, the management of the product system of network business to achieve product design innovation, research and development and promotion and responsible for national network development planning, operation system design, and management of national network construction and uninterrupted operation services. Mr. Lin was the engineer of WangGlobal (China) Limited* (WangGlobal (中國)公司) from 1997 to 1999 and was responsible for the network project design, integration and maintenance and customer communication and service. Mr. Lin is qualified as a CCIE (Service Provider) and CCIE (Routing & Switching). He holds a Bachelor's degree in Automation from Yanshan University* (燕山大學) and a certificate of EBA at TUS business school (啟迪商學院).

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chen Fei (陳飛), aged 47, is the vice general manager responsible for the sales function of the Group and the general manager of Sichuan Greenland. He joined the Group in June 1998 as a sales staff and was promoted in December 2011 as the sales director responsible for, inter alia, managing the sales operation of Sichuan Greenland. Since June 2013, Mr. Chen has been the vice general manager responsible for overseeing the sales department. From June 2013 to November 2014, he also acted as the general manager of Chongqing Branch Office of the Group.

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

Ms. He Lu Ming (何鹿鳴), aged 48, is the head of the administration department of the Group. Ms. He received her master degree from Communist Party of China of Sichuan Province College* (中共四川省委黨校) majoring in regional economics in June 2011. She joined the Group in May 2002 and acted as the administration manager responsible for human resources, administrative and back-office matters. Since October 2010, Ms. He has been in charge of the administration department of the Group and has been the chairman of the labour union of the Group since October 2015.

Ms. Yuen Lai Sheung (袁麗嫦), aged 56, was appointed as the company secretary of the Company on 31 May 2023. She is responsible for overall company secretarial matters of the Group. She holds a Bachelor's Degree of Accounting from Monash University in Australia and she is currently a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the consolidated financial statements of Zhi Sheng Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 135, which comprise the consolidated statement of financial position as at 30 June 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Trade, lease and other receivables

Refer to Note 21 to the consolidated financial statements

The Group tested the amount of trade, lease and other receivables for impairment. This impairment test is significant to our audit because the balance of trade, lease and other receivables of RMB21,606,000, net of impairment loss of RMB25,071,000 as at 30 June 2025 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

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

Goodwill

Refer to Note 17 to the consolidated financial statements

The Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the balance of goodwill of HK\$17,135,000 as at 30 June 2025 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;

INDEPENDENT AUDITOR'S REPORT

- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);
- Obtaining the external valuation reports and meeting with the external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; and
- Checking input data to supporting evidence.

We consider that the Group's impairment assessment of goodwill is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 26 September 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	7	69,445	57,476
Cost of sales		(54,378)	(53,791)
Gross profit		15,067	3,685
Other loss, net	8	(2,157)	(2,385)
Selling and distribution expenses		(7,284)	(6,629)
Administrative and other expenses		(15,711)	(19,185)
Impairment loss on assets	11	(2,329)	(6,947)
Loss from operations		(12,414)	(31,461)
Finance costs	9	(2,248)	(7,395)
Loss before tax		(14,662)	(38,856)
Income tax expense	10	(50)	(55)
Loss for the year	11	(14,712)	(38,911)
Other comprehensive (expense)/income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(686)	5,870
Total comprehensive expenses for the year		(15,398)	(33,041)
Loss for the year attributable to:			
Owners of the Company		(13,508)	(38,469)
Non-controlling interests		(1,204)	(442)
		(14,712)	(38,911)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(14,194)	(32,599)
Non-controlling interests		(1,204)	(442)
		(15,398)	(33,041)
Loss per share			
Basic and diluted (RMB cents)	14	(11.11)	(42.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	15	1,660	2,207
Right-of-use assets	16	39,155	11,075
Goodwill	17	17,135	21,073
		57,950	34,355
Current assets			
Inventories	19	6,810	13,984
Contract assets	20	405	676
Trade, lease and other receivables	21	21,606	18,073
Cash and cash equivalents	22	42,171	22,076
		70,992	54,809
Current liabilities			
Contract liabilities	20	1,858	2,932
Trade and other payables	23	37,395	43,410
Lease liabilities	24	795	537
Convertible bonds	25	16,444	–
Tax payable		1,350	1,407
		57,842	48,286
Net current assets		13,150	6,523
Total assets less current liabilities		71,100	40,878
Non-current liabilities			
Lease liabilities	24	10,499	11,099
Convertible bonds	25	–	9,444
Amounts due to a substantial shareholder	26	25,408	–
		35,907	20,543
NET ASSETS		35,193	20,335
Capital and reserves			
Share capital	28	13,943	8,016
Reserves	30	21,916	11,781
Equity attributable to owners of the Company		35,859	19,797
Non-controlling interests		(666)	538
TOTAL EQUITY		35,193	20,335

The consolidated financial statements on pages 71 to 135 were approved and authorised for issue by the Board of Directors on 26 September 2025 and are signed on its behalf by:

Lai Ningning
Director

Ma Gary Ming Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2025

	Attributable to owners of the Company										
	Convertible			Share option reserve	Other reserve	Statutory reserve	Foreign		Non- controlling interests	Total	
	Share capital	Share premium	bonds equity reserve				exchange reserve	Accumulated losses			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 July 2023	8,016	187,196	22,217	20,179	(11,131)	4,758	(16,402)	(167,484)	47,349	–	47,349
Loss for the year	–	–	–	–	–	–	–	(38,469)	(38,469)	(442)	(38,911)
Other comprehensive expense:											
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	5,870	–	5,870	–	5,870
Total comprehensive expense for the year	–	–	–	–	–	–	5,870	(38,469)	(32,599)	(442)	(33,041)
Redemption of convertible bonds	–	–	(22,217)	–	–	–	–	22,217	–	–	–
Issue of convertible bonds (note 25)	–	–	4,771	–	–	–	–	–	4,771	–	4,771
Recognition of equity-settled share-based payment expense (Note 27)	–	–	–	276	–	–	–	–	276	–	276
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	980	980
At 30 June 2024	8,016	187,196	4,771	20,455	(11,131)	4,758	(10,532)	(183,736)	19,797	538	20,335
At 1 July 2024	8,016	187,196	4,771	20,455	(11,131)	4,758	(10,532)	(183,736)	19,797	538	20,335
Loss for the year	–	–	–	–	–	–	–	(13,508)	(13,508)	(1,204)	(14,712)
Other comprehensive expense:											
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	(686)	–	(686)	–	(686)
Total comprehensive expense for the year	–	–	–	–	–	–	(686)	(13,508)	(14,194)	(1,204)	(15,398)
Conversion of convertible bonds (note 25)	1,702	14,703	(4,771)	–	–	–	–	–	11,634	–	11,634
Issue of convertible bonds (note 25)	–	–	2,648	–	–	–	–	–	2,648	–	2,648
Cancelled of share options (note 27)	–	–	–	(20,256)	–	–	–	20,256	–	–	–
Issue of shares (note 28)	4,225	7,894	–	–	–	–	–	–	12,119	–	12,119
Contribution from a substantial shareholder	–	–	–	–	3,855	–	–	–	3,855	–	3,855
At 30 June 2025	13,943	209,793	2,648	199	(7,276)	4,758	(11,218)	(176,988)	35,859	(666)	35,193

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2025

	2025 RMB'000	2024 RMB'000
Cash flows from operating activities		
Loss before tax	(14,662)	(38,856)
Adjustments for:		
Bank interest income	(105)	(234)
Depreciation of right-of-use assets	1,389	3,807
Depreciation of property, plant and equipment	760	828
Modification on convertible bonds	1,241	–
Equity-settled share-based payments	–	276
Finance costs	2,248	7,395
Impairment loss on goodwill	3,938	2,036
Impairment loss on contract assets	–	271
(Reversal of)/impairment loss on trade receivables and other receivables	(1,609)	4,640
Interest income arising from unwinding contract assets with significant financing component	(28)	(41)
Interest income from loan receivables	–	(1,836)
Loss on disposal of property, plant and equipment	2	–
Share-based payment arising from issue of convertible bonds	1,744	2,429
Write-down of inventories to net realisable value	1,261	5,886
Operating losses before working capital changes	(3,821)	(13,399)
Change in inventories	5,913	(9,532)
Change in contract assets	299	10,640
Change in trade, lease and other receivables	(1,924)	16,591
Change in contract liabilities	(1,074)	(1,039)
Change in trade and other payables	(6,015)	3,816
Cash (used in)/generated from operations	(6,622)	7,077
Income tax paid	(84)	(177)
Bank interest received	105	234
Net cash (used in)/generated from operating activities	(6,601)	7,134
Cash flows from investing activities		
Repayment of loan receivables	–	50,000
Interest received	–	1,877
Purchases of property, plant and equipment	(217)	(379)
Proceeds from disposal of property, plant and equipment	2	–
Net cash (used in)/generated from investing activities	(215)	51,498

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2025

	2025 RMB'000	2024 RMB'000
Cash flows from financing activities		
Proceeds from issue of shares	12,676	—
Share issue expenses paid	(557)	—
Issue of convertible bond	17,348	—
Contribution by non-controlling interests	—	980
Repayment of lease liabilities	(730)	(3,659)
Interests paid	(1,270)	(15,636)
Repayment of convertible bonds	—	(57,568)
Net cash generated from/(used in) financing activities	27,467	(75,883)
Net increase/(decrease) in cash and cash equivalents	20,651	(17,251)
Effect of foreign exchange rate changes	(556)	5,566
Cash and cash equivalents at beginning of year	22,076	33,761
Cash and cash equivalents at end of year	42,171	22,076
Analysis of cash and cash equivalents		
Bank and cash balances	42,171	22,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

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 has been changed Room 1123, 11/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 31 October 2024 and its headquarters has been changed to A401, Moore Car Hui, No.68, Julong Road, Wuhou District, Chengdu, Sichuan Province, the People’s Republic of China (the “**PRC**”) with effect from 25 October 2024.

The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in manufacture and sales of furniture products and data centre business in the PRC. Details of the principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

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

2. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRS Accounting Standards 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 2024. HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRS Accounting Standards 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 HKFRS Accounting Standards that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRS Accounting Standards but is not yet in a position to state whether these new and revised HKFRS Accounting Standards would have a material impact on its results of operations and financial position.

3. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

Consolidation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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

(c) Translation on consolidation

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

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

(c) Translation on consolidation (continued)

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

Property, plant and equipment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

The Group as lessee

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

Leasehold land	Over the lease term
Factory	10%
Office premises	50%

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

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

The Group as lessor

Operating lease

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

Goodwill

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

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

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

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets

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

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

Financial assets at amortised cost

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

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

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

Loss allowances for expected credit losses

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses (continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses (continued)

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Convertible bonds

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

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

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

Trade and other payables

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

Equity instruments

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

Revenue from contracts with customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

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

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

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

Sales of furniture products

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

Renting server racks

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

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

Information technology management service

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

Internet access connection services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Data centre operating and security service

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

Commission income from trading service

Commission income is recognised on trade date basis when the relevant sale or purchase of transactions is executed.

Contract assets and liabilities

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

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

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

Other revenue

Interest income is recognised using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

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

Government grants

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

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

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

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

Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (A) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and other intangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

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

(a) Allowance on impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(b) Impairment of goodwill

Intangible asset with finite useful life are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are required to be tested annually for impairment.

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

(c) Allowance for slow-moving inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 29% (2024: 14%) of the total trade receivables was due from the Group's largest customer.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from contract assets, trade receivables and lease receivables are set out in Notes 20, 21(a) and 21 (b).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000
At 30 June 2025						
Trade and other payables	37,297	37,297	37,297	–	–	–
Lease liabilities	11,294	17,769	1,999	1,890	6,039	7,841
Convertible bonds	16,444	18,251	18,251	–	–	–
Amounts due to a substantial shareholder	25,408	29,081	–	–	29,081	–
	90,443	102,398	57,547	1,890	35,120	7,841
At 30 June 2024						
Trade and other payables	43,229	43,229	43,229	–	–	–
Lease liabilities	11,636	19,370	1,800	1,800	5,850	9,920
Convertible bonds	9,444	11,541	–	11,541	–	–
	64,309	74,140	45,029	13,341	5,850	9,920

(d) Interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)		
Trade, lease and other receivables	8,651	11,947
Cash and cash equivalents	42,171	22,076
	50,822	34,023
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	37,297	43,229
Lease liabilities	11,294	11,636
Convertible bonds	16,444	9,444
Amounts due to a substantial shareholder	25,408	–
	90,443	64,309

(f) Fair values

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

6. SEGMENT INFORMATION

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

For the year ended 30 June 2025 and 2024, the Group has two reportable segments, which are manufacture and sale of furniture products and data centre business. The following summarises the operation of each reportable segment of the Group:

- Furniture segment – manufacture and sale of furniture products in the PRC; and
- Data centre segment – data centre business in the PRC and provision of information technology management service in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

6. SEGMENT INFORMATION (CONTINUED)

(a) Reportable segments revenue and results

	Furniture		Data Centre		Total	
	2025	2024	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Sale of furniture products	47,788	37,124	–	–	47,788	37,124
Information technology management service	–	–	441	438	441	438
Internet access connection service	–	–	150	211	150	211
Data centre operating and security service	–	–	170	170	170	170
Rental of server racks	–	–	17,301	19,533	17,301	19,533
Commission income from trading service	3,595	–	–	–	3,595	–
	51,383	37,124	18,062	20,352	69,445	57,476
Segment results	(7,668)	(20,060)	(4,124)	(2,779)	(11,792)	(22,839)
Unallocated expenses					(2,125)	(11,182)
Other income					51	1,892
Interest expense of convertible bonds					(796)	(6,727)
Loss before tax					(14,662)	(38,856)

The Group had no inter-segment transactions during the year ended 30 June 2025 and 2024.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

6. SEGMENT INFORMATION (CONTINUED)

(b) Reportable segments assets and liabilities

	Furniture		Data Centre		Total	
	2025	2024	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	41,039	45,130	56,732	41,895	97,771	87,025
Cash and cash equivalents					26,463	1,858
Unallocated corporate assets					4,708	281
					128,942	89,164
Segment liabilities	(32,137)	(27,798)	(8,457)	(12,442)	(40,594)	(40,240)
Convertible bonds					(16,444)	(9,444)
Unallocated corporate liabilities					(36,711)	(19,145)
					(93,749)	(68,829)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Furniture		Data Centre		Unallocated		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	11	41	31	137	63	56	105	234
Interest income from loan receivables	–	–	–	–	–	1,836	–	1,836
Interest income arising from unwinding contract assets with significant financing component	28	41	–	–	–	–	28	41
Implied interest on amounts due to a substantial shareholder	–	–	182	–	–	–	182	–
Interest expense on lease liabilities	1,270	530	–	138	–	–	1,270	668
Interest expense on convertible bonds	–	–	–	–	796	6,727	796	6,727
Depreciation of right-of-use assets	1,296	481	93	3,326	–	–	1,389	3,807
Depreciation of property, plant and equipment	760	828	–	–	–	–	760	828
Loss on written off and disposal of property, plant and equipment	2	–	–	–	–	–	2	–
Government grant	101	–	–	–	–	–	101	–
Impairment loss on contract assets	–	–	–	–	–	271	–	271
(Reversal of)/impairment loss on trade and other receivables	(1,958)	4,118	349	522	–	–	(1,609)	4,640
Impairment loss on goodwill	–	–	3,938	2,036	–	–	3,938	2,036
Additions to property, plant and equipment	217	379	–	–	–	–	217	379
Additions to right-of-use assets	388	11,556	29,081	–	–	–	29,469	11,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

6. SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

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

	2025 RMB'000	2024 RMB'000
Revenue from external customers		
PRC	69,389	57,435
Hong Kong	56	41
	69,445	57,476

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

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

(e) Information about major customer

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

	2025 RMB'000	2024 RMB'000
Customer A (Furniture)	29,295	—

* Customer A did not meet the threshold of accounting for 10% or more of total revenue for the year ended 30 June 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

7. REVENUE

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customer		
Sale of furniture products	47,788	37,124
Information technology management service	441	438
Internet access connection service	150	211
Data centre operating and security service	170	170
Commission income from trading service	3,595	–
	52,144	37,943
Revenue from other sources		
Rental of server racks	17,301	19,533
	69,445	57,476

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:

	2025 RMB'000	2024 RMB'000
Timing of revenue recognition		
At a point in time	51,383	37,124
Overtime	761	819
	52,144	37,943

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.

	2025 RMB'000	2024 RMB'000
At the end of the year		
Year 1	3,177	9,812
Year 2	–	289
	3,177	10,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

8. OTHER LOSS, NET

	2025 RMB'000	2024 RMB'000
Bank interest income	(105)	(234)
Exchange loss, net	12	4,750
Interest income from loan receivables	–	(1,836)
Interest income arising from unwinding contract assets with significant financing component	(28)	(41)
Employee compensation	1,170	–
Modification on convertible bonds	1,241	–
Government grant	(101)	–
Subsidy income	–	(19)
Others	(32)	(235)
	2,157	2,385

9. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Implied interest on amounts due to a substantial shareholder	182	–
Interest expense on lease liabilities	1,270	668
Interest expense on convertible bonds	796	6,727
	2,248	7,395

10. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax		
Provision for the year	40	55
Under-provision in prior years	10	–
	50	55

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

Hong Kong Profits Tax for the years ended 30 June 2025 and 2024 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

10. INCOME TAX EXPENSE (CONTINUED)

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 expense and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2025 RMB'000	2024 RMB'000
Loss before tax	(14,662)	(38,856)
Tax calculated at tax rate of 25%	(3,666)	(9,714)
Tax effect of expenses not deductible for tax purposes	1,143	2,643
Tax effect of deductible temporary differences not recognised	567	1,242
Tax effect of utilisation of tax losses not previously recognised	(218)	–
Tax effect of tax losses not recognised	2,373	6,104
Under-provision in prior years	10	–
Effect of different tax rates of subsidiaries	(159)	–
Tax concession	–	(220)
Income tax expense	50	55

As at 30 June 2025, certain subsidiaries of the Group have unused tax losses of RMB48,734,000 (2024: RMB48,787,000) available to offset against future profits that will be expired in five years. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of profit streams in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

11. LOSS FOR THE YEAR

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

	2025 RMB'000	2024 RMB'000
Auditor's remuneration	637	652
Cost of inventories recognised as expense, including	38,734	33,091
– Write-down of inventories to net realisable value	1,261	5,886
Depreciation of right-of-use assets	1,389	3,807
Depreciation of property, plant and equipment	760	828
Loss on disposal of property, plant and equipment	2	–
Impairment/(reversal of) on assets		
– goodwill	3,938	2,036
– contract assets	–	271
– trade receivables and other receivables	(1,609)	4,640
	2,329	6,947
Share-based payment arising from issue of convertible bonds	1,744	2,429
Staff costs (including directors' emoluments)		
– Salaries, bonus and allowances	13,364	11,651
– Retirement benefits scheme contributions	2,414	2,686
– Equity-settled share-based payments	–	276
Total staff costs (including directors' emoluments)	15,778	14,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration is disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits in kinds RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
<i>For the year ended 30 June 2025</i>					
Executive directors					
Mr. Lai Ningning ("Mr. Lai")	-	-	-	-	-
Mr. Yi Cong	-	480	-	-	480
Mr. Liang Xing Jun	-	105	-	-	105
Mr. Ma Gary Ming Fai	111	-	-	-	111
Non-executive director					
Mr. Luo Guoqiang	111	-	-	-	111
Independent non-executive directors					
Mr. Chan Wing Kit	111	-	-	-	111
Ms. Cao Shao Mu (Note i)	-	-	-	-	-
Mr. Li Saint Chi Sainti ("Mr. Li") (Note i)	-	-	-	-	-
Mr. Lin Xiao Dong (Note ii)	78	-	-	-	78
Ms. Chan Pui Shan (Note ii)	78	-	-	-	78
	489	585	-	-	1,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

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

(a) Directors' emoluments (continued)

	Fees RMB'000	Salaries, allowances and benefits in kinds RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
<i>For the year ended 30 June 2024</i>					
Executive directors					
Mr. Yi Cong	–	480	43	–	523
Mr. Liang Xing Jun	–	103	–	–	103
Mr. Ma Gary Ming Fai	106	–	–	–	106
Mr. Lai	–	–	–	276	276
Non-executive director					
Mr. Luo Guoqiang	106	–	–	–	106
Independent non-executive directors					
Mr. Chan Wing Kit	106	–	–	–	106
Ms. Cao Shao Mu (Note i)	106	–	–	–	106
Mr. Li (Note i)	–	–	–	–	–
	424	583	43	276	1,326

Notes:

- (i) Ms. Cao Shao Mu and Mr. Li resigned as the Company's independent non-executive director on 18 October 2024.
- (ii) Mr. Lin Xiao dong and Ms. Chan Pui Shan were appointed as the Company's independent non-executive director on 18 October 2024.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

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

(b) Five highest paid individuals

The five highest paid individuals consist of 1 director of the Company for the year ended 30 June 2025 (2024: 2 directors). Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 4 highest paid individuals for the year ended 30 June 2025 (2024: 3) are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	913	909
Retirement benefits scheme contributions	268	311
	1,181	1,220

Their emoluments were within the following band:

	2025 Number of individual	2024 Number of individual
Nil to HK\$1,000,000	4	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 30 June 2025 (2024: nil).

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

(c) Senior management

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

	2025 Number of individual	2024 Number of individual
Nil to HK\$1,000,000	4	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

13. DIVIDENDS

No dividend has been paid or declared during the year ended 30 June 2025 and 2024 nor has any dividend been declared since the end of the reporting period.

14. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the year ended 30 June 2025 is based on the loss for the year attributable to owners of the Company of approximately HK\$13,508,000 (2024: approximately HK\$38,496,000) and the weighted average number of ordinary shares of 121,600,918 (2024: 90,733,332 ordinary shares) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the year ended 30 June 2025 and 2024.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
COST						
At 1 July 2023	635	7,467	595	4,661	55,270	68,628
Additions	–	32	237	110	–	379
At 30 June 2024 and 1 July 2024	635	7,499	832	4,771	55,270	69,007
Additions	–	–	217	–	–	217
Disposals	(50)	–	(24)	–	–	(74)
At 30 June 2025	585	7,499	1,025	4,771	55,270	69,150
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS						
At 1 July 2023	252	5,420	369	4,661	55,270	65,972
Charge for the year	255	503	62	8	–	828
At 30 June 2024 and 1 July 2024	507	5,923	431	4,669	55,270	66,800
Charge for the year	124	491	133	12	–	760
Disposals	(46)	–	(24)	–	–	(70)
At 30 June 2025	585	6,414	540	4,681	55,270	67,490
CARRYING AMOUNTS						
At 30 June 2025	–	1,085	485	90	–	1,660
At 30 June 2024	128	1,576	401	102	–	2,207

As at 30 June 2025 and 2024, the Group's fully impaired buildings is pledged to secure the independent third party's borrowing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

16. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2025 RMB'000	2024 RMB'000
Right-of-use assets		
– Leasehold land	28,988	–
– Factory	9,918	11,075
– Office premises	249	–
	39,155	11,075
Lease commitments of short-term leases	4,300	7,166
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Within one year	1,999	1,800
– Between one and two years	1,890	1,800
– Between two and five years	6,039	5,850
– Over five years	7,841	9,920
	17,769	19,370

	2025 RMB'000	2024 RMB'000
Year ended:		
Depreciation charge of right-of-use assets		
– Leasehold land	92	–
– Factory	1,157	526
– Office premises	140	–
– Server racks	–	3,281
	1,389	3,807
Lease interests	1,270	668
Expenses related to short-term leases	11,072	14,890
Total cash outflow for leases	13,072	19,217
Additions to right-of-use assets	29,469	11,556

As at 30 June 2025 and 2024, the Group's fully impaired leasehold land is pledged to secure the independent third party's borrowing.

The Group leases various leasehold land, factory, office premises and server racks. Lease agreements are typically made for fixed periods of 2-50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

17. GOODWILL

	RMB'000
COST	
At 1 July 2023, 30 June 2024, 1 July 2024 and 30 June 2025	30,827
ACCUMULATED IMPAIRMENT LOSSES	
At 1 July 2023	7,718
Impairment loss	2,036
At 30 June 2024 and 1 July 2024	9,754
Impairment loss	3,938
At 30 June 2025	13,692
CARRYING AMOUNTS	
At 30 June 2025	17,135
At 30 June 2024	21,073

18. IMPAIRMENT TESTING FOR GOODWILL

Goodwill arising from acquisition of Polyqueue Limited is allocated to data centre CGU ("**Data Centre CGU**") for impairment testing.

During the year ended 30 June 2025 and 2024, the Group's management has engaged Valplus to perform valuations for the purpose to assess the recoverable amounts of Data Centre CGU as at 30 June 2025 and 2024.

Data Centre CGU

The recoverable amount of Data Centre CGU is determined based on a VIU calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at 3.00% (2024: 3.00%) growth rate which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 13.78% (2024: 13.1%) per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

As at 30 June 2025, based on the assessment result, the recoverable amount of RMB17,135,000 is less than the carrying amount of RMB21,073,000, impairment loss of RMB3,938,000 on its goodwill has been recognised for the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

19. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	1,231	2,726
Work in progress	578	954
Finished goods	5,001	10,304
	6,810	13,984

During year ended 30 June 2025, the Group has written down RMB1,261,000 (2024: RMB5,886,000) of its finished goods. The written down has been included in cost of sales.

20. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2025 RMB'000	As at 30 June 2024 RMB'000	As at 1 July 2023 RMB'000
Contract assets	405	676	11,587
Contract liabilities	1,858	2,932	3,971
Contract receivables (included in trade receivables, net)	4,054	3,422	6,307

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

– one year	1,858	2,932
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	2025 RMB'000	2024 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	2,932	3,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

20. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

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

	2025		2024	
	Contract assets RMB'000	Contract liabilities RMB'000	Contract assets RMB'000	Contract liabilities RMB'000
Increase due to operations in the year	1,441	9,099	2,163	3,710
Transfer of contract assets to receivables	(1,740)	–	(12,844)	–
Transfer of contract liabilities to revenue	–	(10,173)	–	(4,749)
Impairment of contract assets	–	–	(271)	–
Unwinding QADs with significant financing component brought forward from prior years	28	–	41	–

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

As at 30 June 2025, the Group elected simplified approach to measure lifetime ECLs on contract assets using probability default model. The Group's impaired contract assets of RMB nil (2024: RMB271,000) during the year ended 30 June 2025.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

21. TRADE, LEASE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables (Note (a))	8,628	9,997
Lease receivables (Note (b))	3,319	3,483
Other receivables (Note (c))	10,879	14,636
Deposits (Note (c))	1,120	1,492
Prepayments (Note (d))	22,731	15,145
	46,677	44,753
Less: loss allowance	(25,071)	(26,680)
	21,606	18,073

(a) Trade receivables

	2025 RMB'000	2024 RMB'000
Trade receivables, gross	8,628	9,997
Less: loss allowance	(4,574)	(6,575)
Trade receivables, net	4,054	3,422

As at 30 June 2025, included in gross trade receivables are trade receivables of RMB6,821,000 (2024: RMB6,532,000) and QAD receivables of RMB1,044,000 (2024: RMB1,414,000) 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 2025, included in gross trade receivables are trade receivables of RMB763,000 (2024: RMB2,051,000) from data centre segment. The credit periods on service contracts 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:

	2025 RMB'000	2024 RMB'000
Within 3 months	3,373	3,362
More than 3 months	5,255	6,635
	8,628	9,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

21. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

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

	2025 RMB'000	2024 RMB'000
Current (not past due)	2,686	2,221
Less than 1 month past due	371	380
1 to 3 months past due	263	296
More than 3 months but less than 6 months past due	469	367
More than 6 months past due	265	158
	4,054	3,422

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:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	6,575	6,867
Reversal of loss allowance for the year	(2,001)	(292)
At the end of the year	4,574	6,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

21. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

As at 30 June 2025, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for furniture segment of RMB6,821,000 (2024: RMB6,532,000) using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
At 30 June 2025				
Current (not past due)	0.3	2,599	9	2,590
Less than 1 month past due	3.4	384	13	371
1 to 3 months past due	19.3	326	63	263
More than 3 months but less than 6 months past due	30.6	676	207	469
More than 6 months past due	100.0	2,836	2,836	–
		6,821	3,128	3,693

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

As at 30 June 2025, the Group applied simplified approach to measure lifetime ECLs on the Group's QAD receivables for furniture segment of RMB1,044,000 (2024: RMB1,414,000) using probability-default model. The ECL rate was 74.6% (2024: 69.9%) and the loss allowance as at year ended was RMB779,000 (2024: RMB989,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

21. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

As at 30 June 2025, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB763,000 (2024: RMB2,051,000) using probability-default model. The ECL rate was 87.4% (2024: 84%) and the loss allowance as at year ended was RMB667,000 (2024: RMB1,723,000).

(b) Lease receivables

As at 30 June 2025, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB3,319,000 (2024: RMB3,483,000) using probability-default model. The ECL rate was 0.33% (2024: 0.40%) and the loss allowance as at year end was RMB11,000 (2024: RMB14,000).

(c) Other receivables

As at 30 June 2025, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB11,999,000 (2024: RMB16,128,000) using probability-default model and provided loss allowance of RMB10,710,000 (2024: RMB11,072,000) at the end of the year.

(d) Prepayments

- (i) As at 30 June 2025, among the prepayments, approximately RMB14,755,000 (2024: RMB14,267,000) represented prepayments to suppliers for purchase of raw materials.
- (ii) As at 30 June 2025, the Group applied general approach to measure ECLs on the Group's prepayments of RMB22,731,000 (2024: RMB15,145,000) using probability-default model and provided loss allowance of RMB9,776,000 (2024: RMB9,019,000) at the end of the year.

22. CASH AND CASH EQUIVALENTS

As at 30 June 2025, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB15,574,000 (2024: RMB19,518,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

23. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	12,624	14,447
Other payables and accruals (Note)	24,673	28,782
Other tax payables	98	181
	37,395	43,410

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

	2025 RMB'000	2024 RMB'000
Within 3 months	8,054	7,765
More than 3 months	4,570	6,682
	12,624	14,447

Note

At 30 June 2025, included in other payables was RMB5,665,000 and RMB5,592,000 (2024: RMB5,665,000 and RMB14,776,000) due to the registered owner of Beijing Wannuotong and Mega Data Investment Limited, a related company controlled by Director, respectively. The amounts were unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

24. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Within one year	1,999	1,800	795	537
Between one and two years	1,890	1,800	761	599
Between two and five years	6,039	5,850	3,288	5,589
Over five years	7,841	9,920	6,450	4,911
	17,769	19,370	11,294	11,636
Less: Future finance charges	(6,475)	(7,734)		
Present value of lease liabilities	11,294	11,636		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(795)	(537)
Amount due for settlement after 12 months			10,499	11,099

At 30 June 2025, the average effective borrowing rate was 3.35%-11.67% (2024: 11.67%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

25. CONVERTIBLE BONDS

On 6 August 2021, the Company issued convertible loan notes with a nominal value of US\$8,000,000 to enhance the working capital and strengthen the capital base and financial position of the Company. The notes are convertible at the option of the noteholders into fully paid ordinary shares with a par value of HK\$0.01 each of the Company on or after 6 August 2021 up to and including 6 February 2024 at an initial conversion price of HK\$0.5 per share. Any convertible notes not converted will be redeemed on 6 February 2024 at 122% of their principal amount. Interest of 4% will be paid semi-annually. The convertible bonds shall be translated at the fixed exchange rate of US\$1: HK\$7.8. The convertible bonds redeemed on 6 February 2024. Please refer to the announcements of the Company dated 2 June 2021, 2 August 2021, 6 August 2021 and 7 February 2024 and the circular of the Company dated 16 July 2021 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

25. CONVERTIBLE BONDS (CONTINUED)

On 26 February 2024, the Company issued zero coupon convertible bonds with a principal amount of HK\$12,400,000 for setting off all outstanding amount payable of HK\$12,400,000 for the convertible bonds issued on 15 January 2020. The convertible bonds are denominated in HK\$ will mature in two years from the issue date at their principal amount or can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK\$0.683 per conversion share. On 2 September 2024, the Company entered into the supplemental deed poll to, modify the maturity date of the convertible bonds to 19 February 2025. The modification loss on convertible bonds approximately RMB1,241,000 was recognized by the Group. On 17 December 2024, a convertible bond holder exercising its rights to convert the convertible bonds at the conversion price of HK\$0.683 per conversion share and 3,631,039 conversion shares allotted and issued to the convertible bondholder, the conversion was completed on 30 December 2024. On 14 February 2025, another convertible bond holder exercising its rights to convert the convertible bonds at the conversion price of HK\$0.683 per conversion share and 14,524,158 conversion shares allotted and issued to the convertible bondholder, the conversion was completed on 19 February 2025. Please refer to (i) the announcements of the Company dated 3 January 2024, 7 February 2024, 26 February 2024, 2 September 2024, 20 December 2024 and 17 February 2025, and (ii) the circular of the Company dated 22 January 2024, respectively, for further details.

To alleviate the short-term liquidity pressure of the Group and ensure the Group maintains sufficient financial soundness for carrying out its business development plans, including but not limited to the potential acquisition of land and the development of the data centre service business, on 27 March 2025, the Company and Mr. Chatchaval Jiaravanon and CMAG Fund SPC, both being subscribers, have entered into a subscription agreement (the "Subscription Agreement"), pursuant to which, among others, the Company has conditionally agreed to allot, and the subscribers conditionally agreed to subscribe for zero coupon convertible bonds in the aggregate principal amount of HK\$120 million. On 25 July 2025 and 21 August 2025, the parties entered into a supplemental agreement and a further supplemental agreement to the Subscription Agreement, respectively, for, among others, the extension of the long stop date and the maturity date. As at 30 June 2025, the conditions precedent under the Subscription Agreement have not yet complete. Please refer to the announcements of the Company dated 27 March 2025, 25 July 2025 and 21 August 2025, and the circular dated 30 April 2025, respectively, for further details.

On 30 June 2025, the Company issued zero coupon convertible bonds with a principal amount of HK\$20,000,000 for the Group to raise additional fund. The convertible bonds are denominated in HK\$ will mature in 7 months 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\$6.4 per conversion share. Any convertible bonds not converted will be redeemed on 31 January 2026 at 103% of their principal amount. Assuming full exercise of the conversion rights, at the initial conversion price of HK\$6.4 per Conversion Share, a maximum of 3,125,000 conversion shares will be allotted and issued. Please refer to the announcements of the Company dated 19 June 2025 and 30 June 2025, respectively, for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

25. CONVERTIBLE BONDS (CONTINUED)

The fair value of the liability component was determined at the issue date of the convertible bonds. The fair value of the liability component, included in 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:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	9,444	77,899
Increase during the year:		
Fair value of the convertible bonds issued	19,996	13,869
Modification of convertible bonds	1,241	–
Less: transaction costs	(904)	–
Less: Amount classified as equity	(2,648)	(4,771)
Liability component on initial recognition	17,685	9,098
Interest expense	796	6,727
Interest paid	–	(14,968)
Redeemed	–	(69,008)
Conversion	(11,634)	–
Exchange realignment	153	(304)
Liability component as at year ended	16,444	9,444

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 13%-16.2% to the liability component.

The principal amount of the convertible bonds as at 30 June 2025 is approximately RMB18,251,000 (2024: RMB11,541,000).

26. AMOUNTS DUE TO A SUBSTANTIAL SHAREHOLDER

The advances are denominated in RMB, unsecured, non-interest bearing and have 3 years repayment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

27. SHARE OPTION SCHEME

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

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

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

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

	2025	2024
Share options granted on 2 August 2021	–	10,000,000
Share options granted on 1 June 2022	200,000	200,000
	200,000	10,200,000

	2025		2024	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	10,200,000	3.5	10,200,000	3.5
Cancelled during the year	(10,000,000)	3.5	–	–
Outstanding at the end of the year	200,000	2.2	10,200,000	3.5
Exercisable at the end of the year				
Share options granted on 2 August 2021	–		10,000,000	
Share options granted on 1 June 2022	200,000		200,000	
	200,000		10,200,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

27. SHARE OPTION SCHEME (CONTINUED)

Share Option Deed

On 2 June 2021, the Company entered into the Share Option Deed with Mr. Lai, pursuant to which the Company has conditionally agreed to grant the options to Mr. Lai in the consideration of HK\$1.00, exercisable within the option period, such that Mr. Lai shall be entitled to require the Company to allot and issue up to a maximum of 10,000,000 subscription shares at the subscription price upon and subject to the terms set out in the Share Option Deed.

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

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

On 10 January 2025, the company received a request from Mr. Lai for cancellation of the share option. Mr. Lai indicated that he made such request as he has no intention to further increase his shareholding interest in the Company by way of exercise of the share options. The share option was cancelled on 13 January 2025.

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

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 July 2024	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Outstanding at 30 June 2025
Mr. Lai	2/8/2021	Nil	2/8/2021-1/8/2025	4,000,000	-	-	(4,000,000)	-
		2/8/2021-1/8/2022	2/8/2022-1/8/2025	3,000,000	-	-	(3,000,000)	-
		2/8/2021-1/8/2023	2/8/2023-1/8/2025	3,000,000	-	-	(3,000,000)	-
				10,000,000	-	-	(10,000,000)	-
Exercisable at the end of the year								-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

27. SHARE OPTION SCHEME (CONTINUED)

Share Option Deed (continued)

				Outstanding at	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at
Name of participant	Date of grant	Vesting period	Exercisable period	1 July 2023				30 June 2024
Mr. Lai	2/8/2021	Nil	2/8/2021-1/8/2025	4,000,000	–	–	–	4,000,000
		2/8/2021-1/8/2022	2/8/2022-1/8/2025	3,000,000	–	–	–	3,000,000
		2/8/2021-1/8/2023	2/8/2023-1/8/2025	3,000,000	–	–	–	3,000,000
					10,000,000	–	–	–
Exercisable at the end of the year								10,000,000

The fair value of the share options granted by the Group on 2 August 2021 amounted to approximately HK\$24,356,000 (in equivalent to RMB20,245,000). For the year ended 30 June 2025, no equity-settled share-based payment expense was recognised by the Group. (2024: approximately RMB276,000).

Share Option Scheme

On 1 June 2022, the Company entered into the share option agreement with Mr. Li, pursuant to which the Company has conditionally agreed to grant the options to Mr. Li in the consideration of HK\$1.00, exercisable within the option period, such that Mr. Li shall be entitled to require the Company to allot and issue up to a maximum of 200,000 subscription shares at the subscription price upon and subject to the terms set out in the Share Option Scheme.

The grant has been reviewed and approved by the Board (including all independent non-executive Directors other than Mr. Li in accordance with Rule 23.04(1) of the GEM Listing Rules). As Mr. Li will not, as a result of the grant, be entitled to be issued with such number of shares as represents over 0.1% of the shares in issue upon exercise of all share options granted to him in the 12-month period up to and including the date of grant, the grant to Mr. Li is not subject to approval of the shareholders in general meeting. Due to resignation of Mr. Li as the Company's independent non-executive director, Directors passed the board resolution to maintain the exercisable right of share option and extend share options exercisable period to 17 October 2026. The Directors consider that the effect of the share option modification is immaterial to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

27. SHARE OPTION SCHEME (CONTINUED)

Share Option Scheme (continued)

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

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 July 2024	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2025
Mr. Li	1/6/2022	Nil	1/6/2022-17/10/2026	200,000	-	-	-	200,000
Exercisable at the end of the year								200,000

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

The options outstanding at the end of the period have a remaining contractual life of 1.55 years and the exercise price is HK\$2.2.

For the year ended 30 June 2025 and 2024, no equity-settled share-based payment expense of was recognised by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

28. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Authorised:		
Ordinary shares of HK\$0.1 (2024:HK\$0.1) each		
At 1 July 2023	1,500,000,000	
Share consolidation (note a)	(1,350,000,000)	
Increase of authorised share capital	150,000,000	
At 30 June 2024, 1 July 2024 and 30 June 2025	300,000,000	
Issued and fully paid:		
Ordinary shares of HK\$0.1 (2024:HK\$0.1) each		
At 1 July 2023	907,333,333	8,016
Share consolidation (note a)	(816,600,001)	–
At 30 June 2024 and 1 July 2024	90,733,332	8,016
Issue of shares (note b)	45,000,000	4,225
Conversion of convertible bonds (note c)	18,155,197	1,702
At 30 June 2025	153,888,529	13,943

Note:

- (a) On 7 March 2024, the Company completed the increase of authorised share capital and consolidation of shares in the issued shares of the Company whereby every ten issued and unissued ordinary shares of HK\$0.01 each were consolidated into one consolidated ordinary share of HK\$0.1 each.
- (b) On 21 October 2024, the Company and subscribers entered into subscription agreement in respect of the placement of 45,000,000 ordinary shares of HK\$0.1 each to subscribers at a price of HK\$0.3 per share. The subscription was completed on 20 December 2024 and the premium on the issue of shares, amounting to approximately HK\$9,000,000 (equivalent to RMB8,451,000), net of share issue expenses of HK\$593,000 (equivalent to RMB557,000), was credited to the Company's share premium account.
- (c) On 17 December 2024, the Company received a conversion notice from one of the convertible bondholder in the principal amount of HK\$2,480,000, exercising its rights to convert the convertible bonds at the conversion price of HK\$0.683 per conversion share. 3,631,039 conversion shares allotted and issued to the convertible bondholder. The conversion was completed on 30 December 2024 and the premium on the issue of shares, amounting to approximately HK\$3,104,000 (equivalent to RMB2,919,000) was credited to the Company's share premium account.

On 14 February 2025, the Company received a conversion notice from another convertible bondholders in the principal amount of HK\$9,920,000, exercising its rights to convert the convertible bonds at the conversion price of HK\$0.683 per conversion share. 14,524,158 conversion shares allotted and issued to the convertible bondholder. The conversion was completed on 19 February 2025 and the premium on the issue of shares, amounting to approximately HK\$12,584,000 (equivalent to RMB11,784,000) was credited to the Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

28. SHARE CAPITAL (CONTINUED)

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:

	2025 RMB'000	2024 RMB'000
Current liabilities		
Trade and other payables	37,395	43,410
Convertible bonds	16,444	–
Lease liabilities	795	537
	54,634	43,947
Non-current liabilities		
Lease liabilities	10,499	11,099
Convertible bonds	–	9,444
Amounts due to a substantial shareholder	25,408	–
	35,907	20,543
Total debt	90,541	64,490
Less: Cash and cash equivalents	(42,171)	(22,076)
Net debt	48,370	42,414
Total equity	35,193	20,335
Net debt to equity ratio	137%	209%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Non-current assets		
Investment in a subsidiary	28,764	43,849
	28,764	43,849
Current assets		
Trade, lease and other receivables	4,708	71
Cash and cash equivalents	26,463	1,766
	31,171	1,837
Current liabilities		
Trade and other payables	7,632	16,445
Convertible bonds	16,444	–
	24,076	16,445
Net current assets/(liabilities)	7,095	(14,608)
Total assets less current liabilities	35,859	29,241
Non-current liabilities		
Convertible bonds	–	9,444
NET ASSETS	35,859	19,797
Capital and reserves		
Share capital	13,943	8,016
Reserves	21,916	11,781
TOTAL EQUITY	35,859	19,797

30. RESERVES

(a) Group

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

30. RESERVES (CONTINUED)

(b) Company

	Share premium RMB'000	Convertible bonds equity reserve RMB'000	Share option reserve RMB'000	Foreign exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2023	187,196	22,217	20,179	(2,617)	(187,642)	39,333
Loss for the year	–	–	–	–	(33,340)	(33,340)
Other comprehensive expense:						
Exchange difference arising on translating of financial statements of the Company	–	–	–	741	–	741
Total comprehensive expense for the year	–	–	–	741	(33,340)	(32,599)
Redemption of convertible bonds	–	(22,217)	–	–	22,217	–
Issue of convertible bonds	–	4,771	–	–	–	4,771
Recognition of equity-settled share-based payment expense	–	–	276	–	–	276
At 30 June 2024 and 1 July 2024	187,196	4,771	20,455	(1,876)	(198,765)	11,781
Loss for the year	–	–	–	–	(13,362)	(13,362)
Other comprehensive income:						
Exchange difference arising on translating of financial statements of the Company	–	–	–	3,023	–	3,023
Total comprehensive expense for the year	–	–	–	3,023	(13,362)	(10,339)
Conversion of convertible bonds	14,703	(4,771)	–	–	–	9,932
Issue of convertible bonds	–	2,648	–	–	–	2,648
Cancelled of share options	–	–	(20,256)	–	20,256	–
Issue of shares	7,894	–	–	–	–	7,894
At 30 June 2025	209,793	2,648	199	1,147	(191,871)	21,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

30. RESERVES (CONTINUED)

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

(i) Share premium

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

(ii) Convertible bonds equity reserve

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

(iii) Share option reserve

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

(iv) Other reserve

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

(v) Statutory reserve

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

(vi) Foreign exchange reserve

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

(vii) Accumulated loss

Cumulative net gains and losses recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

31. CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 June 2025 and 2024.

32. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2025 and 2024.

33. RELATED PARTY TRANSACTIONS

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

	2025 RMB'000	2024 RMB'000
Amount due to a related company:		
Other payable and accruals – Mega Data Investment Ltd.	5,592	14,776

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

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

	2025 RMB'000	2024 RMB'000
Interest income from Mega Data Investment Ltd.	–	1,836

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

- (c) **Key management personnel emoluments**

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

	2025 RMB'000	2024 RMB'000
Fees	489	424
Salaries, allowance and benefits in kind	2,709	2,088
Pension scheme contributions	750	764
Equity-settled share option expenses	–	276
	3,948	3,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

34. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 30 June 2025 and 2024 are set out below:

Name of entity	Place of incorporation and form of business structure	Issued and fully paid-up ordinary share capital or registered capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities and principal place of business
			2025	2024	
Indirectly held by the Company					
Smart Raise (Hong Kong) Limited	Hong Kong, limited liabilities company	HK\$76,087,308 divided into 20,000 ordinary shares	100%	100%	Investment holding, Hong Kong
四川青田家俱實業有限公司 (Note a) ("Sichuan Greenland")	The PRC, limited liabilities company	RMB61,000,000	100%	100%	Manufacture and sale of furniture products, the PRC
成都頤事順達貿易有限公司 (Note b)	The PRC, limited liabilities company	RMB1,000,000	–	100%	Trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels, the PRC
ITO Express Limited	Hong Kong, limited liabilities company	HK\$1,000,000 divided into 10,000,000 ordinary shares	100%	100%	Buildout management service, the PRC
Beijing Wannuoqi (Note a)	The PRC, limited liabilities company	HK\$150,000	100%	100%	Data centre business, the PRC
Beijing Wannuotong (Note b)	The PRC, limited liabilities company	RMB2,004,050	100% (Note c)	100% (Note c)	Data centre business, the PRC
Shangcheng Smart Home (Dongguan) Co Limited	The PRC, limited liabilities company	RMB2,000,000	51%	51%	Manufacture and sale of furniture products, the PRC
內蒙古皓揚云啟數據科技有限公司	The PRC, limited liabilities company	RMB1,000,000	100%	N/A	Dormant
內蒙古皓寬云啟數據科技有限公司	The PRC, limited liabilities company	RMB1,000,000	51%	N/A	Dormant
Directly held by the Company					
Smart Raise Holdings Limited	The British Virgin Islands ("BVI"), limited liabilities company	20,000 ordinary shares of US\$1 each	100%	100%	Investment holding, Hong Kong
Polyqueue Limited	The BVI, limited liabilities company	110 ordinary shares of US\$1 each	100%	100%	Investment holding, Hong Kong

Notes:

- (a) The subsidiary is wholly foreign owned enterprise with limited liability.
- (b) The subsidiary is wholly owned domestic company with limited liability.
- (c) The Group held 50% of its equity interest. The remaining 50% of interest existed by the virtue of the structured contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

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

	Lease liabilities RMB'000	Liability component of Convertible Bonds RMB'000	Amounts due to a substantial shareholder RMB'000	Total liabilities from financing activities RMB'000
At 1 July 2023	3,739	77,899	–	81,638
Changes in cash flows	(4,327)	(72,536)	–	(76,863)
Non-cash changes				
– Additions	11,556	–	–	11,556
– Settlement for issuing new convertible bonds	–	(2,342)	–	(2,342)
– Interest charged	668	6,727	–	7,395
– Exchange realignment	–	(304)	–	(304)
At 30 June 2024 and 1 July 2024	11,636	9,444	–	21,080
Changes in cash flows	(2,000)	17,348	–	15,348
Non-cash changes				
– Additions	388	–	29,081	29,469
– Conversion of convertible bonds	–	(11,634)	–	(11,634)
– Less: Amount classified as equity	–	(2,648)	(3,855)	(6,503)
– Share-based payment arising from issue of convertible bonds	–	1,744	–	1,744
– Interest charged	1,270	796	182	2,248
– Exchange realignment	–	153	–	153
– Modification of convertible bonds	–	1,241	–	1,241
At 30 June 2025	11,294	16,444	25,408	53,146

(b) Major non-cash transaction

Addition of right of use assets during year of RMB29,081,000 was financed by a director. For details, please refer to note 26 and announcements of company dated 14 February 2025, 24 February 2025 and 16 May 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2025

36. OTHER MATTERS

a) Sichuan Greenland Judgment

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

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

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

b) The Call Option Deed

References are made on the announcements of the Company dated 19 June 2025. The Company as grantee and the grantor entered into the Call Option Deed at a consideration of HK\$1.00, the grantor has agreed to grant the Company the Call Option to acquire all the option share and assign the shareholder's loan. The call option is exercisable once at the sole discretion of the Company at any time during the exercise period of six months commencing to purchase the option share and the shareholder's loan at the option purchase price. Upon signing of the Call Option Deed, the Company paid a sum of HK\$19,100,000 as refundable deposit on July 2025, which shall be applied towards the satisfaction of part of the option purchase price if the Call Option is exercised. The Company engaged Valplus to perform valuations for the purpose to access the fair value of the Call Option. The option value is approximate to zero in the date of Call Option deed signed and for the year ended 30 June 2025.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 September 2025.

FINANCIAL SUMMARY

	For the 12 months ended 31 December 2020 RMB'000	For the 18 months ended 30 June 2022 RMB'000	For the 12 months ended 30 June 2023 RMB'000	For the 12 months ended 30 June 2024 RMB'000	For the 12 months ended 30 June 2025 RMB'000
Revenue	82,419	172,511	110,831	57,476	69,445
Loss for the year	(26,953)	(73,738)	(79,196)	(38,911)	(14,712)
Loss for the year attributable to:					
– Owners of the Company	(26,953)	(73,738)	(79,196)	(38,469)	(13,508)
– Non-controlling interests	–	–	–	(442)	(1,204)
Total comprehensive expense for the year	(27,777)	(75,757)	(84,176)	(33,041)	(15,398)
Total comprehensive expense for the year attributable to:					
– Owners of the Company	(27,777)	(75,757)	(84,176)	(32,599)	(14,194)
– Non-controlling interests	–	–	–	(442)	(1,204)

	As at 31 December 2020 RMB'000	As at 30 June 2022 RMB'000	As at 30 June 2023 RMB'000	As at 30 June 2024 RMB'000	As at 30 June 2025 RMB'000
Assets and Liabilities					
Total assets	265,297	269,810	174,081	89,164	128,942
Total liabilities	(93,074)	(141,889)	(126,732)	(68,829)	(93,749)
Non-controlling interests	–	–	–	(538)	666
Equity attributable to owners of the Company	172,223	127,921	47,349	19,797	35,859

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