ZHI SHENG GROUP HOLDINGS LIMITED
智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8370)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2024

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

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

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

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

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2024 (the "**Reporting Period**"), together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		**2,207**	2,656
Right-of-use assets		**11,075**	3,326
Goodwill		**21,073**	23,109
		34,355	29,091
Current assets			
Inventories		**13,984**	10,338
Contract assets		**676**	11,587
Trade, lease and other receivables	*11*	**18,073**	39,304
Loan receivables	*12*	**–**	50,000
Cash and cash equivalents		**22,076**	33,761
		54,809	144,990
Current liabilities			
Contract liabilities		**2,932**	3,971
Trade and other payables	*13*	**43,410**	39,614
Lease liabilities		**537**	3,739
Convertible bonds	*14*	**–**	77,899
Tax payable		**1,407**	1,509
		48,286	126,732
Net current assets		**6,523**	18,258
Total assets less current liabilities		**40,878**	47,349

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities		**11,099**	–
Convertible bonds	*14*	**9,444**	–
		20,543	–
NET ASSETS		**20,335**	47,349
Capital and reserves			
Share capital	*15*	**8,016**	8,016
Reserves		**11,781**	39,333
Equity attributable to owners of the Company		**19,797**	47,349
Non-controlling interests		**538**	–
TOTAL EQUITY		**20,335**	47,349

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

	Attributable to owners of the Company										
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Convertible bonds equity reserve** *RMB'000*	**Share option reserve** *RMB'000*	**Other reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**Foreign exchange reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 July 2022	8,016	187,196	22,217	16,575	(11,131)	4,608	(11,422)	(88,138)	127,921	–	127,921
Loss for the year	–	–	–	–	–	–	–	(79,196)	(79,196)	–	(79,196)
Other comprehensive expense:											
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	(4,980)	–	(4,980)	–	(4,980)
Total comprehensive expense for the year	–	–	–	–	–	–	(4,980)	(79,196)	(84,176)	–	(84,176)
Recognition of equity-settled share-based payment expense	–	–	–	3,604	–	–	–	–	3,604	–	3,604
Transfer to statutory reserves	–	–	–	–	–	150	–	(150)	–	–	–
At 30 June 2023	8,016	187,196	22,217	20,179	(11,131)	4,758	(16,402)	(167,484)	47,349	–	47,349
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 income:											
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**5,870**	**–**	**5,870**	**–**	**5,870**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**5,870**	**(38,469)**	**(32,599)**	**(442)**	**(33,041)**
Redemption of convertible bonds	**–**	**–**	**(22,217)**	**–**	**–**	**–**	**–**	**22,217**	**–**	**–**	**–**
Issue of convertible bonds *(note 14)*	**–**	**–**	**4,771**	**–**	**–**	**–**	**–**	**–**	**4,771**	**–**	**4,771**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

1. GENERAL INFORMATION

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

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

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

2. GOING CONCERN BASIS

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

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting period beginning on 1 July 2023. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRSs**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

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

4. SEGMENT INFORMATION

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

For the year ended 30 June 2024 and 2023, the Group has three reportable segments, which are manufacture and sale of furniture products, data centre business and buildout management service. The following summarises the operation of each reportable segment of the Group:

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

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

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

(a) Reportable segments revenue and results

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

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

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

(b) Reportable segments assets and liabilities

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

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

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

(c) Other segment information

	Furniture		Data Centre		Buildout management service		Unallocated		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Bank interest income	**41**	2	**137**	33	**–**	18	**56**	71	**234**	124
Interest income from other receivables	**–**	778	**–**	396	**–**	–	**–**	–	**–**	1,174
Interest income from loan receivables	**–**	–	**–**	–	**–**	–	**1,836**	3,000	**1,836**	3,000
Interest income arising from unwinding contract assets with significant financing component	**41**	131	**–**	–	**–**	–	**–**	–	**41**	131
Interest expense on lease liabilities	**530**	1	**138**	381	**–**	–	**–**	–	**668**	382
Interest expense on convertible bonds	**–**	–	**–**	–	**–**	–	**6,727**	9,498	**6,727**	9,498
Depreciation of right-of-use assets	**481**	341	**3,326**	3,365	**–**	–	**–**	–	**3,807**	3,706
Depreciation of property, plant and equipment	**828**	4,153	**–**	–	**–**	–	**–**	–	**828**	4,153
Loss on written off and disposal of property, plant and equipment	**–**	67	**–**	–	**–**	–	**–**	–	**–**	67
Gain on disposal of property, plant and equipment	**–**	8	**–**	–	**–**	–	**–**	–	**–**	8
Impairment loss on property, plant and equipment	**–**	36,887	**–**	–	**–**	–	**–**	–	**–**	36,887
Impairment loss on right-of-use assets	**–**	12,863	**–**	–	**–**	–	**–**	–	**–**	12,863
Impairment loss on contract assets	**–**	–	**–**	–	**271**	–	**–**	–	**271**	–
Impairment loss on trade and other receivables	**4,118**	10,163	**522**	679	**–**	–	**–**	–	**4,640**	10,842
Impairment loss on goodwill	**–**	–	**2,036**	2,088	**–**	–	**–**	–	**2,036**	2,088
Additions to property, plant and equipment	**379**	811	**–**	–	**–**	–	**–**	–	**379**	811
Additions to right-of-use assets	**11,556**	–	**–**	54	**–**	–	**–**	–	**11,556**	54

(d) Geographical information

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

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

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

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

(e) Information about major customer

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

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

5. REVENUE

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

Disaggregation of revenue from contract with customers

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

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

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

Operating leases

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

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

At the end of the year	**2024**	2023
	RMB'000	*RMB'000*
Year 1	**9,812**	6,766
Year 2	**289**	1,908
	10,101	8,674

6. OTHER (LOSS)/INCOME, NET

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE/(CREDIT)

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

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

Hong Kong Profits Tax for the years ended 30 June 2024 and 2023 has been provided under two-tiered profit tax rate regime, the first HK$2 million of estimated assessable profits is provided at the rate of 8.25%, and estimated assessable profits above HK$2 million is provided at the rate of 16.5%.

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

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

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

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

As at 30 June 2024, certain subsidiaries of the Group have unused tax losses of RMB48,787,000 (30 June 2023: RMB24,151,000) available to offset against future profits that will be expired in five years. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of profit streams in the future.

9. DIVIDENDS

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

10. LOSS PER SHARE

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

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

11. TRADE, LEASE AND OTHER RECEIVABLES

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

(a) Trade receivables

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

As at 30 June 2024, included in gross trade receivables are trade receivables of RMB6,532,000 (2023: RMB9,940,000) and QAD receivables of RMB1,414,000 (2023: RMB1,208,000) from furniture segment. The credit periods on sales of goods for customers are normally within 30 days or up to 180 days from invoice date depends on contract terms.

As at 30 June 2024, included in gross trade receivables are trade receivables of RMB2,051,000 (2023: RMB2,026,000) from data centre segment. The credit periods on service contacts with customers are normally within 30 days or up to 90 days from invoice date depends on contract terms.

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

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

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

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

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

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

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

As at 30 June 2024, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for furniture segment of RMB6,532,000 (2023: RMB9,940,000) using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

	ECL rate %	Gross carrying amount *RMB'000*	Lifetime ECLs *RMB'000*	Net carrying amount *RMB'000*
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**

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

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

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

(b) Lease receivables

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

(c) Other receivables

(i) As at 30 June 2024, among the other receivables, three (2023: three) debt instruments totaling RMB10,000,000 (2023: RMB10,000,000) were due from financial institutions and independent third party in the PRC. The debt instruments was overdue and the company provided fully impairment on the debt instruments.

(ii) As at 30 June 2024, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB16,128,000 (2023: RMB13,669,000) using probability-default model and provided loss allowance of RMB11,072,000 (2023: RMB10,205,000) at the end of the year.

(d) Prepayments

(i) As at 30 June 2024, among the prepayments, approximately RMB14,267,000 (2023: RMB22,362,000) represented prepayments to suppliers for purchase of raw materials.

(ii) As at 30 June 2024, the Group applied general approach to measure ECLs on the Group's prepayments of RMB15,145,000 (2023: RMB29,740,000) using probability-default model and provided loss allowance of RMB9,019,000 (2023: RMB4,956,000) at the end of the year.

12. LOAN RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Loan receivables	**–**	50,000

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

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

The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness and the loan receivables were fully repaid during 2024.

13. TRADE AND OTHER PAYABLES

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

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

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

Note

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

14. CONVERTIBLE BONDS

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

On 26 February 2024, the Company issued zero coupon convertible bonds with a principal amount of HK$12,400,000, the "2024 Convertible Bonds" for setting off all outstanding amount payable of HK$12,400,000 for the convertible bonds issued on 15 January 2020. The convertible bonds are denominated in HK$ will mature in two years from the issue date at their principal amount or can be converted into ordinary shares of the Company at the holder's option at initial conversion price HK$0.683 per conversion share.

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

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

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

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

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

15. SHARE CAPITAL

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

Note:

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of furniture products and sells its products to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City , the Tibet Autonomous Region and Guizhou Province; the Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited* (四川青田家俱實業有限公司) ("**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, 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("**WNT**"), entered into a management agreement with Gu'an Fu'ai Electronics Co. Ltd. ("**Gu'an Fu'ai**") to carry out buildout management service business.

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

Manufacture and sale of furniture products business

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

Due to insufficient domestic consumer confidence and slower-than-expected economic recovery, the real estate and furniture industries are still in a period of in-depth adjustment, further lengthening their full recovery. The overall demand in the furniture industry continues to be weak, leading to increasingly intense market competition. In addition, under the profound impact of the novel coronavirus epidemic over the past three years, consumers' shopping habits have changed significantly. Online shopping has become the first choice of more consumers, further weakening the traditional appeal of commercial real estate, making it difficult to regain its prosperity. Against this backdrop, customers are more inclined to exercise caution to purchase or replace furniture. Due to economic pressure and uncertainty, some companies may decelerate or cancel expansion plans, further reducing the demand for furniture. At the same time, there are no obvious signs of recovery in bidding activities across various regions, which has a far greater impact on the furniture industry than we previously expected . Facing an array of challenges, the Group decided to focus on consolidating the markets in the southwestern regions including the Sichuan Province, actively coordinating the supply chain relationship between customers and suppliers in order to ensure on-time delivery of customers' orders in the Sichuan Province. During the Year, the Company has strengthened its product research and development and has designed and developed more multifunctional series products to meet market demands, such as furniture for healthcare centres, smart furniture, and customised medical furniture, to expand the Company's furniture sales and promotion scope and to specifically attract more high-quality customers. In terms of establishment of sales initiatives, for bulk purchase orders, specialised meetings on tendering are held to overcome possible difficulties in tendering and increase the tender success rate of sales contracts. Although we have taken many measures, the effect was insignificant. The sales revenue in Sichuan Province has decreased significantly compared to the corresponding period of last year. With the relaxation of pandemic lockdown policies and the gradual economic recovery, the Group has also actively explored markets in other southwestern regions, with a focus on restoring markets in Chongqing City, Tibet Autonomous Region, and other provinces, and has made certain progress. Among which, revenue of the Chongqing City slightly decreased as compared to the corresponding period of last year, while revenue of the Tibet Autonomous Region increased by 413.2% as compared to the corresponding period of last year. However, the markets in the Guizhou province and the Yunnan province have not fully recovered yet. Meanwhile, the Group strictly controls various costs and expenses, actively collects significant overdue receivables, strengthens the control of daily operating expenses, strives to eliminate the influence of various adverse factors, and has achieved certain results.

Other matters during the Reporting Period

As mentioned in the report of the last financial year, the Group had pledged the land and buildings and other properties against its subsidiary, Sichuan Greenland, to assist Mr. Luo Jinyao (Dongguan Yaobang Group Co., Ltd.* (東莞市耀邦集團有限公司) ("**Yaobang Group**") is under control of Mr. Luo Jinyao, as a borrower (the "**Borrower**")) or his subsidiaries in obtaining financing. However, due to the borrower's failure to make repayment on time, Sichuan Greenland has received a written notice from the state-owned financial institution(s) in the PRC (the "**Bank(s)**") demanding Sichuan Greenland to observe and fulfil its obligations under the pledge of a parcel of land and buildings located at Chengdu City provided by the Company. For subsequent particulars, please refer to the content set out in the subsection headed "Significant Events During the Reporting Period" under the Management Discussion and Analysis section of this announcement.

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 announcement. The Group has provided an investment loss of approximately RMB9.5 million based on the estimated fair value assessment in the last financial year. During the Reporting Period, the Group has provided in full for investment losses on the abovementioned wealth management products for the balance of the previous financial year for which no provision for investment losses had been made. For specific matters, please refer to the content set out in the subsection headed "Significant Events During the Reporting Period" under the Management Discussion and Analysis section of this announcement.

Data centre business

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

Buildout management service business

WNT entered into the Buildout Management Agreement with Gu'an Fu'ai in June 2021 to provide engineering and management services as construction manager for buildout construction works. This business segment recognises the profit of the relevant business according to the progress of the buildout management project. As the Phase I buildout management projects were completed in the last two financial years, the Group did not commence any new buildout management projects during the Reporting Period, and therefore no revenue in relation to the buildout management service was recognised (the corresponding period of last year: revenue of approximately RMB38.9 million).

During the Reporting Period, the Group recorded a revenue of approximately RMB57.5 million, representing a decrease of approximately RMB53.4 million or approximately 48.1% as compared to the corresponding period of last year. During the Reporting Period, owners of the parent of the Group recorded a loss of approximately RMB38.5 million, as compared with the loss of approximately RMB79.2 million recorded by the owners of the parent of Group for the Previous Reporting Period. For details on the increase in loss and analysis of revenue, cost, fees and other indicators for the Reporting Period, please refer to the section headed "Financial Review" under "Management Discussion and Analysis" of this announcement.

PROSPECTS

Looking forward, the real estate market is still in a downturn, and it is expected that the furniture market will require a longer period for recovery. However, we remain cautiously optimistic about the future market outlook. The State Council emphasizes that in the second half of the year, it needs to make great efforts to keep up the growth momentum of the economy. It needs to expand domestic demand more effectively, with a focus on boosting consumption, and take targeted measures to facilitate economic circulation. To promote consumption, it needs to focus on areas with strong growth and impetus, accelerate the expansion and enhance the quality of service and consumption, effectively promote bulk consumption, formulate differentiated support policies according to the needs of different groups, and fully unleash the potential of consumption. Accordingly, with gradual dissipation of domestic and international uncertainties and recovery consumer confidence, it is expected that China's economy will recover vigorously. Hence, the Company will actively seize the opportunity and take the following measures: 1. We will gather our resources on the expansion of marketing channels. First, we will further reclaim and consolidate the Southwest market. In key market development regions, we will consider investing in billboard and vehicle advertising to expand our brand influence. In times of favourable conditions, we will expand into markets beyond the southwestern region in due course. At the same time, the Company will also consider achieving a balance between maintaining the market share in the Southwest region and a reasonable profit margin. 2. We will establish a customer follow-up system, maintain regular contact with customers, establish a comprehensive after-sales service system, promptly resolve customers' issues and complaints, enhance customer trust in the brand, and stimulate repurchase intentions. 3. We will continue to enhance research and development and develop products suitable for different markets based on the specific needs of different consumer groups. We will launch personalised and fashionable furniture products for young consumers as well as convenient and comfortable elderly-friendly furniture products for elderly consumers, etc. By market segmentation, we launch more eco-friendly and smarter furniture products to cater for the needs of different consumers. 4. Our sales team will actively expand our customer base of the and attract more customers from hotels and schools through various channels. We will organize product briefing sessions in our showroom to attract direct orders from retail customers while actively exploring online sales. 5. We will continue to optimise supply chain management and reduce production costs. By establishing long-term and stable cooperative relationships with suppliers, we strive for more favourable raw material prices and more stable supply channels. At the same time, we will strengthen inventory management to reduce inventory backlog and waste. Internally, we will improve production processes and explore the potential for energy saving and consumption reduction, continuously enhance service capabilities and operational efficiency by reducing various costs, and strive to improve the current operating conditions of the furniture segment. In addition, in order to quickly overcome the operational challenges of the furniture segment, the Group will enhance efforts to support the manufacture and sales of sofas and auxiliary products by Shangcheng Smart Home. We believe that by establishing diversified operations in the furniture business, we can effectively mitigate the risks associated with monotony of the original business in the furniture market and strive to stabilise our revenue.

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

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

FINANCIAL REVIEW

Revenue

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

Manufacture and sale of furniture products segment: during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB37.1 million, representing a decrease of approximately RMB11.2 million or approximately 23.1% as compared to the corresponding period of last year, which was mainly attributable to the facts that:

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

Among them, the revenue from Sichuan Province decreased by approximately RMB15.1 million or approximately 37.8% compared to the corresponding period of last year, and the revenue from Guizhou Province decreased by approximately RMB2.5 million or approximately 72.4% compared to the corresponding period of last year. These two provinces were the main reasons for the year-on-year decline in revenue in the Southwest region. Revenue from the Tibet Autonomous Region increased by approximately RMB3.8 million or 413.2% compared to the corresponding period of last year, mainly due to a financial client in the region achieving revenue of approximately RMB4.6 million during the Reporting Period, while the revenue from this client was approximately RMB0.1 million in the corresponding period of last year. The revenue from Chongqing City slightly decreased by approximately RMB0.004 million or approximately 0.2% compared to the corresponding period of last year. Revenue from Yunnan Province was insignificant in the Reporting Period and corresponding period of last year, with no breakthrough in market recovery. The Group focused on business expansion in the five southwestern provinces during the Reporting Period. However, except for the Tibet Autonomous Region which achieved positive results, sales in other provinces did not meet our expectations, and revenue failed to achieve growth recovery.

(ii) Revenue of other provinces and regions apart from the five southwest provinces and regions was approximately RMB1.0 million during the Reporting Period, representing a decrease of approximately RMB0.3 million or approximately 20.3% compared to the Previous Reporting Period, among which revenue from Guangdong Province improved to a certain extent as compared to the previous year, partially offsetting the decline in revenue from the manufacture and sale of furniture products segment. The sales data of both years is relatively insignificant, mainly related to the Company's strategy of focusing on the operations in the five southwestern provinces and regions.

(iii) The Group newly established Shangcheng Smart Home (Dongguan) Co., Ltd.* (尚誠智能家居(東莞)有限公司) which is engaged in the manufacture and sales of sofas and auxiliary products. During the Reporting Period, the subsidiary achieved sales revenue of approximately RMB3.2 million, contributing to the stabilisation of the revenue of the manufacture and sale of furniture products segment.

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

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

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; (iv) production or operation overheads such as depreciation, amortisation of intangible assets, utilities bills, maintenance fee and rent; and (v) cost of the buildout management services. The Group's cost of sales for the Reporting Period was approximately RMB53.8 million, representing a decrease of approximately RMB46.2 million or 46.2% as compared to the corresponding period of last year. Of which:

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

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

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

Gross profit

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

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

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

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

Other loss or income, net

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

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB6.6 million, representing an increase of approximately RMB0.3 million or approximately 3.3% as compared to the corresponding period of last year. Of which: the data centre segment and buildout management service segment did not incur any selling expenses during the Reporting Period and the Previous Reporting Period. The increase in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to increase in sales in the Tibet Autonomous Region of 413.2% as compared to the corresponding period of last year. As the region is remote from the company, freight charges, loading and unloading fees, handling fees, installation fees, travel expenses, etc. increased greatly year-on-year. In addition, during the Reporting Period, office expenses and entertainment expenses also increased to a certain extent year-on-year, yet depreciation expenses and renovation expenses decreased significantly year-on-year, hence decelerated the increase in selling expenses.

Administrative and other expenses

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

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

Excluding the administrative expenses incurred from the data centre segment and buildout management service segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB21.0 million, representing a decrease of approximately RMB54.8 million or approximately 72.3% as compared the corresponding period of last year. The decreases were mainly attributable to the following facts:

(i) During the same period last year, the Group had pledged the land and buildings and other properties against its subsidiary, Sichuan Greenland, to assist Mr. Luo Jinyao (Yaobang Group is under control of Mr. Luo Jinyao, as a borrower) or his subsidiaries in obtaining financing. However, due to the borrower's failure to make repayment on time, an asset impairment loss of approximately RMB49.8 million was recorded. However, no such loss was incurred during the Reporting Period.

(ii) During the corresponding period of last year, the Company made provisions for losses of approximately RMB9.5 million based on the estimated fair value assessment due to the high risk of redemption for the total principal amount of RMB10 million for three financial products issued by Zhongzhi Enterprise Group. However, during the Reporting Period, only a provision for bad debt loss of approximately RMB0.7 million was required for the remaining balance (including accrued interest in the prior period) not provided for last year, resulting in a significant year-on-year decrease in such losses by approximately RMB8.8 million.

(iii) the recognition of share-based equity settled payment expenses during the Reporting Period of approximately RMB0.3 million, representing a decrease of approximately RMB3.5 million as compared to the corresponding period of last year;

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

(iv) share-based payment of approximately RMB2.4 million was derived from the issuance of convertible bonds amounting to HK$12.4 million on 26 February 2024, while no such expense was incurred for the corresponding period of last year;

(v) the increase of approximately RMB2.8 million in the provision for impairment losses of trade and other receivables and prepayments during the Reporting Period as compared to the corresponding period of last year due to the downturn of the furniture industry;

(vi) the administrative expenses such as rentals, taxes, welfare fees, office expenses, legal and professional expenses increased during the Reporting Period as compared to the corresponding period of last year.

Finance Costs

The Group incurred finance costs of approximately RMB7.4 million for the Reporting Period (the corresponding period of last year: approximately RMB9.9 million), representing a year-on-year decrease of approximately RMB2.5 million or approximately 25.1%, mainly due to: (i) the decrease in interest expense arising from the issuance of convertible bonds by the Group of approximately RMB2.8 million as compared to the Previous Reporting Period, mainly attributable to the completion of the placing of convertible bonds with a total principal amount of US$8 million on 6 August 2021, and the convertible bonds were due for redemption on 6 February 2024 with no amortization of interest expense after 6 February; and (ii) the increase in interest expense on lease liabilities incurred under HKFRS 16 by approximately RMB0.3 million as compared to the corresponding period of last year, due to an increase in lease liabilities during the Reporting Period as compared to the corresponding period of last year.

Income Tax Expense/Credit

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

Loss for the Year Attributable to Owners of the Company

Loss for the year attributable to owners of the Company for the Reporting Period was approximately RMB38.5 million, and loss for the year attributable to non-controlling interests was approximately RMB0.4 million (the corresponding period of last year: loss attributable to the owners of the Company of approximately RMB79.2 million, and loss for the year attributable to non-controlling interests : nil). The decrease in losses was primarily attributable to the decrease in the Group's administrative and other expenses (including impairment loss on assets) of approximately RMB56.8 million during the Reporting Period as compared to the corresponding period of last year, mainly due to decrease in the provision for impairment loss on assets and loss on investment in wealth management products. Additionally, financing costs decreased by approximately RMB2.5 million year-on-year, all contributing to the decrease in losses. In addition, other income,net during the Reporting Period decreased by approximately RMB7.4 million as compared to the Previous Reporting Period. Revenue during the Reporting Period decreased by approximately 48.1% as compared to the corresponding period of last year, and the cost of sales decreased by approximately 46.2%, leading to decline in gross profit margin and a decrease of approximately RMB7.2 million in gross profit. Income tax credit decreased by approximately RMB4.2 million year-on-year, and sales and distribution expenses increased by approximately RMB0.2 million as compared to the Previous Reporting Period. These four factors partially offset the decrease in losses. A detailed analysis of the indicators of revenue, costs, gross profit, and expenses is set out in the explanatory notes to the above indicators in the section headed "Management Discussion and Analysis" of this announcement and will not be repeated in detail.

Contract Assets, Trade, Lease and Other Receivables

Contract assets, trade, lease and other receivables of the Group as at 30 June 2024 amounted to approximately RMB18.7 million (30 June 2023: approximately RMB50.9 million). The decrease was mainly attributable to: (i) the decrease in contract assets of approximately RMB10.9 million, including a decrease in contract assets of the buildout management service segment of approximately RMB10.0 million, mainly due to the recovery of payments that fulfilled the settlement conditions and were carried forward upon project completion, and the contract assets of manufacture and sale of furniture products segment decreased by approximately RMB0.9 million; (ii) the decrease in prepayments and other receivables of approximately RMB17.1 million, including a decrease in the manufacture and sale of furniture products segment of approximately RMB15.4 million, mainly attributable to: a. the decrease in prepayments for purchasing materials of approximately RMB14.6 million. Based on the view that the furniture industry is still in a downturn, the Company changed its procurement strategy and reduced the pre-order quantity of materials to reduce the funds used for prepayments and effectively control financial risks. At the same time, the increase in the provision for bad debt losses on prepayments as compared to the corresponding period of last year also led to a decrease in the net value of prepayments; b. full provisions for bad debt losses on the remaining balance of approximately RMB0.7 million (including accrued interest in the prior period) for the three wealth management products previously purchased from Zhongzhi Enterprise Group due to their high redemption risk, resulting in a year-on-year decrease in other receivables during the Reporting Period. Other receivables of the Hong Kong headquarters decreased by approximately RMB1.5 million, mainly due to the recovery of loan interest during the Reporting Period; while other receivables of the data centre segment decreased by approximately RMB0.2 million, due to the reduction in business transaction amounts; (iii) the decrease in trade and lease receivables of approximately RMB4.0 million, including a decrease in manufacture and sale of furniture products segment of approximately RMB2.1 million, due to our recovery of matured trade receivables. Trade and lease receivables of the data centre segment decreased by approximately RMB1.9 million, due to our recovery of previous lease receivables and decrease in trade receivables, net as a result of increase in loss provision for bad debts.

Loan Receivables

The Group does not have any loan receivables as at 30 June 2024 (30 June 2023: approximately RMB50.0 million). This is attributable to the SPV Loan Agreement entered into between the Company as lender and the SPV as borrower on 2 June 2021, pursuant to which the tranche 1 of the loan amounting to RMB50,000,000 had been drawn on 10 August 2021 and is repayable on or before 30 months from the drawdown date of the tranche 1 of the loan (i.e. with a maturity date of 10 February 2024), (The SPV is owned as to 50% by Cloud Knight, which in turn is wholly owned by Mr. Man Lap and as to 50% by Lightning Cloud, which in turn is wholly owned by Mr. Lai. The loan is secured by the entire issued share capital of Cloud Knight and Lightning Cloud and guaranteed by Mr. Man Lap and Mr. Lai with an interest rate of 6% per annum). As the abovementioned loan has been repaid on the maturity date, the Group does not have any loan receivables as at 30 June 2024.

Trade and Other Payables

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

Contract Liabilities

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

Convertible Bonds

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

For details regarding the issuance and redemption of the abovementioned convertible bonds, please refer to the subsection headed "Use of Proceeds from Placing of New Shares under General Mandate or issuance of Convertible Bonds" under the section headed Management Discussion and Analysis and note 14 to the consolidated financial statements of this announcement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

CAPITAL STRUCTURE

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

As at 30 June 2024, the Group's total equity attributable to owners of the Company amounted to approximately RMB19.8 million (30 June 2023: approximately RMB47.3 million). The Group's equity attributable to owners of the Company included share capital and reserves.

POTENTIAL COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of 30 June 2024, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's business transactions are mainly conducted in RMB, the exposure of the Group to foreign exchange fluctuations was not significant. As at 30 June 2024, the Group was not a party of any foreign currency hedging instruments. However, the Group will review and monitor foreign exchange exposure risks from time to time and is prepared to take prudent measures such as hedging when appropriate actions are required.

FINANCIAL POLICIES

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

GEARING RATIO

The gearing ratio as at 30 June 2024 (defined as total debt divided by total equity, where total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) was approximately 2.27 (30 June 2023: approximately 2.03).

CAPITAL COMMITMENTS

As at 30 June 2024, saved as disclosed in Pledge of Assets in this announcement, the Group did not have any significant capital commitments.

PLEDGE OF ASSETS

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

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

Due to the failure of the Borrower and its subsidiaries to repay the Loan when due, Sichuan Greenland, has received a written notice from the Bank(s) demanding Sichuan Greenland to observe and perform its obligations under the Pledge. For further details, please refer to the voluntary announcement of the Company dated 2 June 2023 in respect of the business update. For subsequent particulars, pleas refer to the subsection headed Significant Events during the Reporting Period under the section headed Management Discussion and Analysis of this announcement.

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group engaged a total of 142 employees (30 June 2023: 180) including the Directors. During the Reporting Period, total staff costs (including equity-settled share-based payment to Directors) amounted to approximately RMB14.6 million (the corresponding period of last year: approximately RMB18.3 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

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

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

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

The environment, social and governance report of the Group for the Reporting Period will be issued on the websites of the Stock Exchange and the Company (www.qtbgjj.com) on 20 September 2024.

EVENTS AFTER THE REPORTING PERIOD

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

As of the date of this announcement, saved as aforesaid, the Group has no disclosable subsequent events which are yet to be disclosed.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 30 June 2024.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 30 June 2024 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT OPINION

ZHONGHUI ANDA CPA Limited has issued an opinion with a material uncertainty related to going concern paragraph on the consolidated financial statements of the Group for the period under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

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

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Group's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 30 June 2024 and up to the date of this announcement, the Group has complied with the applicable code provisions ("**Code Provisions**") of the CG Code, except for the following deviations:

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

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

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

As disclosed above, there is no chairman of the Board during the Reporting Period. The duties of the chairman are performed by the chief executive officer of the Company. All Directors attended the annual general meeting of the Company held on 20 October 2023 (the "**2023 AGM**"). Representative(s) of the external auditor, ZHONGHUI ANDA CPA Limited, also attended the 2023 AGM. The Company considers that the members of the Board who attended the 2023 AGM were able to sufficiently answer questions from shareholders at the 2023 AGM.

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

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 30 June 2024 (2023: Nil). No shareholder has agreed to waive dividends.

GENERAL MEETINGS WITH SHAREHOLDERS

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 8 October 2024 to Monday, 14 October 2024, both days inclusive, during which no transfer of shares of the Company will be effected. In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 7 October 2024.

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.qtbgjj.com. The annual report 2023/2024 will be published on the website of Stock Exchange at www.hkexnews.hk and the website of Company at www.qtbgjj.com for perusal on 20 September 2024.

By order of the Board
Zhi Sheng Group Holdings Limited
Ma Gary Ming Fai
Executive Director

Hong Kong, 20 September 2024

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

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

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

* *For identification purpose only*