



Michong Metaverse (China) Holdings Group Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 8645

2022/2023
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Decai (*Chairman and
Chief Executive officer*)
Mr. Hu Mingdai

Independent Non-executive Directors

Dr. Tsoi Chi Chuen Cheney
(*Appointed on 20 July 2023*)
Mr. Ng Der Sian
Ms. Zheng Li Ping
Mr. Chen Youchun (*Resigned on 20 July 2023*)

AUDIT COMMITTEE

Mr. Ng Der Sian (*Chairman*)
Dr. Tsoi Chi Chuen Cheney
(*Appointed on 20 July 2023*)
Ms. Zheng Li Ping
Mr. Chen Youchun (*Resigned on 20 July 2023*)

NOMINATION COMMITTEE

Ms. Zheng Li Ping (*Chairman*)
Mr. Ng Der Sian
Mr. Yu Decai

REMUNERATION COMMITTEE

Dr. Tsoi Chi Chuen Cheney (*Chairman*)
(*Appointed on 20 July 2023*)
Mr. Ng Der Sian
Mr. Yu Decai
Mr. Chen Youchun (*Chairman*)
(*Resigned on 20 July 2023*)

COMPANY SECRETARY

Ms. Wong Po Lam (CPA)

AUTHORISED REPRESENTATIVES

Ms. Wong Po Lam (CPA)
Mr. Yu Decai

COMPLIANCE OFFICER

Mr. Yu Decai

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F, C C Wu Building
302-308 Hennessy Road,
Wan Chai,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

No.25, 25-1 & 25-3, Jalan MH 3
Taman Muzaffar Heights
75450 Ayer Keroh
Melaka, Malaysia

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Room 310-313, Building 7
WISCO High-tech Industrial Parks
No. 5 Maodian Shanzhong Road
East Lake High-tech Development Zone
Wuhan, the PRC

PRINCIPAL BANKERS

Malayan Bank Berhad
14th Floor, Menara Maybank
100 Jalan Tun Perak, 50050
Kuala Lumpur, Malaysia

China Zheshang Bank Co., Ltd
Wuhan Branch
No. 296 Xinhua Road
Jiangnan District
Wuhan, the PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

8645

WEBSITE OF THE COMPANY

www.metamichong.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of the directors (the “**Board**”) of Michong Metaverse (China) Holdings Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), I am pleased to present the annual report and the financial statements of the Group for the year ended 30 June 2023 (“**FY2022/2023**”).

Ever since the Company's shares (the “**Shares**”) were successfully listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of share offer (the “**Share Offer**”) on 9 December 2019 (the “**Listing**”), the Listing has enhanced the Company's capital strength and reinforcing the resources for future development as in line with the Group's long-term objective in becoming one of the influential enterprises and preferred value-added partner in its businesses as well as exploring potential business development with an aim to achieve business growth and maximise the value for the shareholders of the company (the “**Shareholders**”).

Our Group is principally engaged in rendering of (i) network support services which, mainly encompass network infrastructure design and hardware installation, network management and security services; (ii) network connectivity services that focus on providing intranet and internet connectivity solutions and value-added services; and (iii) electronic commerce (“**E-Commerce**”). The main operating bases of the Group are in the PRC and Malaysia.

FY2022/2023 was partial challenging but fruitful year for the Group. Despite facing the challenges on macroeconomics and uncertainties brought by the transmission of the outbreak of the Novel Coronavirus (“**COVID-19**”) pandemic, the Group recorded remarkable operating results. For FY2022/2023, the Group's revenue increased by approximately HK\$19,339,000 or 17.2% from approximately HK\$112,398,000 for the year ended 30 June 2022 (“**FY2021/2022**”) to approximately HK\$131,737,000 for FY2022/2023. Our profit for FY2022/2023 was approximately HK\$20,282,000, as compared to loss of approximately HK\$38,193,000 for FY2021/2022.

Since FY2021/2022, the Group has developed the E-Commerce business in the PRC with Michong Mall, which is available on mobile application. In order to offer a more innovative, creditable and satisfied shopping experience to users and customers, our research and development (“**R&D**”) team upgraded the mobile application “Michong Short Video (米虫短視頻)” (formerly named “*Michong App*”) (the “**App**”) during FY2022/2023, to provide an online platform to link high-quality products and massive users through original video content in the App. In addition, the Group explored advertising business through the App during FY2022/2023 to diversity income sources of the E-Commerce business, by playing video advertisements for banking, insurance, and life service industries, etc.

Stepping into post COVID-19 pandemic era, along with the change of consumer's lifestyle, including but not limited to, consumption, education, entertainment has shifted from offline to online considerably, the Group is in the view that the E-Commerce business will continuously bring a considerable operating results to the Group. In coming years, more internal resources will be allocated to the R&D on the E-Commerce business of the Group.

Undoubtedly, the prolonged COVID-19 pandemic has affected our results of operations of the network support services business and the network connectivity services business. During FY2022/2023, the revenue from network support services business and the network connectivity services business decreased by approximately HK\$18,044,000 or 19.1% to approximately HK\$76,246,000 (FY2021/2022: *approximately HK\$94,290,000*), which was mainly due to completion of one-off projects in sales of hardware with significant amount in FY2021/2022 and the effect of exchange rate. To diversify our markets, broaden sources of income and increase our competitiveness, the Group has explored markets on the network support services and network connectivity services to the PRC, and has endeavoured to stabilise our market share in this business.

In light of recent developments in the virtual assets landscape, in 2022, the Financial Services and Treasury Bureau of Hong Kong Government (the “**FSTB**”) issued statement on virtual assets in Hong Kong to set out its vision, approach and future steps to facilitate the development of the virtual assets sector in Hong Kong; and the Securities and Futures Commission of Hong Kong (the “**SFC**”) issued statement on virtual asset arrangements which claim to offer returns to investors, respectively. In 2023, the Hong Kong Virtual Assets Consortium announced its official launch, with mission to promote Hong Kong as the world's largest and safest virtual asset market, offers credit rating for virtual asset exchanges and exchange-traded products, virtual asset indices, and provides investor education. The Board is in the opinion that blockchain technology, as well as virtual assets, has the potential to bring about profound changes to the existing financial and technology industries.

In order to seize the business opportunity from the development of virtual assets sector in Hong Kong, we formulated a series of business plans to invest in this sector efficiently, flexibly and cautiously. During FY2022/2023, the Group invested in two associates named Million Up Holdings Limited (“**Million Up**”) and Fantastic Adventure Holdings Limited (“**Fantastic Adventure**”). Yuen Meta (International) Securities Limited (“**Yuen Meta Securities**”), the wholly-owned subsidiary of Million Up and Leo Asset Management Limited (“**Leo Asset**”), the wholly-owned subsidiary of Fantastic Adventure follow up closely on development of virtual assets regulatory framework and the application for additional approvals related to virtual assets exchange and management business. In April 2023, the Company has established an indirect wholly-owned subsidiary in Hong Kong, namely Morwin Blockchain Technology Limited (“**Morwin**”), aims to provide global customers with customised solutions on virtual assets trading exchanges, solutions on non-fungible token (NFT) technology's trading platforms, as well as consulting services and total solutions regarding matters such as metaverse and cryptocurrencies.

Looking ahead, the Group will devote more time and resource to develop blockchain technology business, with a target to explore this new business in providing development services to global enterprises with demand on blockchain technology service as well as facilitating our business growth.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to express our sincerest gratitude to our valued Shareholders, customers and business partners for your trust and persistent support. Besides, I would also like to express our deepest thankfulness to our management team and staff for their hard work and dedication throughout the years. We look forward to creating a prosperous future of the Group from the financial year ending 30 June 2024 onwards.

Yu Decai

Chairman and Chief Executive Officer

Hong Kong, 22 September 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company and the Group is principally engaged in rendering of (i) network support services which, mainly encompass network infrastructure design and hardware installation, network management and security services; (ii) network connectivity services that focus on providing intranet and internet connectivity solutions and value-added services; and (iii) E-Commerce.

The Shares were successfully listed on GEM of the Stock Exchange. The Listing has enhanced the Company's capital strength and reinforcing the resources for future development as in line with the Group's long-term objective in becoming one of the influential enterprises and preferred value-added partner in its businesses as well as exploring potential business development with an aim to achieve business growth and maximise the value for the Shareholders.

The Group has been actively considering and exploring various opportunities and flexibly change its business strategies. To keep pace with the PRC's policy of development of E-Commerce and grasp the business opportunities arisen from the universe of E-Commerce, starting from 2022, the Group has kicked off the development of the E-Commerce business in the PRC.

In light of recent developments in the virtual assets landscape, on 31 October 2022, the FSTB issued a Policy Statement on Development of virtual assets in Hong Kong which sets out its vision, approach and future steps to facilitate the development of the virtual assets sector in Hong Kong. The Hong Kong Government recognises the potential of distributed ledger technology (DLT) and Web 3.0 to become the future of finance and commerce industries.

On 13 December 2022, the SFC also issued a statement on virtual asset arrangements which claim to offer returns to investors. After lengthy discussions and consultations, the new licensing regime for Virtual Asset Trading Platforms (VATPs) finally took effect on 1 June 2023, representing the collective efforts of the government, regulators, the industry, and other interested stakeholders in fostering the sustainable growth of the virtual assets business in Hong Kong.

In order to seize the business opportunity from the development of virtual assets sector in Hong Kong, we formulated a series of business plans to invest in this sector efficiently, flexibly and cautiously. On 5 December 2022 (after trading hours), Roma (meta) Group Limited ("**Roma**", a company listed on the Stock Exchange, stock code: 8072) and the Company had entered into a memorandum of understanding (the "**MoU**") on strategic cooperation so as to bring mutual benefits to each other. Pursuant to the MoU, Roma intends to leverage on the Company's technical know-how and expertise on development of decentralised blockchain applications to integrate digital technology including blockchain technology into its business and explore cryptocurrency-related business opportunities while the Company intends to leverage on Roma's corporate consulting, valuation and advisory services, wide spectrum of clients and social impact to promote its growth on the electronic commerce services and development of decentralised blockchain applications. By pooling of Roma and the Company's competitive advantages, resource and expertise, both parties intend to establish a stable and mutually beneficial partnership on technology development and capturing business opportunities amid the rapid technological advancement. For further details of the MoU, please refer to the announcement of the Company dated 5 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

On 9 January 2023, the Group invested in Million Up and Fantastic Adventure through share subscription and share purchase (the “**Investments in Associates**”). Both companies are associates of the Company upon the completion on 9 January 2023, which the Group held approximately 34% of total issued share capital of Million Up and Fantastic Adventure. Yuen Meta Securities, the wholly-owned subsidiary of Million Up and Leo Asset, the wholly-owned subsidiary of Fantastic Adventure follow up closely on development of virtual assets regulatory framework and the application for additional approvals related to virtual assets exchange and management business. As a strategic investor, the Group puts a best effort basis to support Yuen Meta Securities and Leo Asset to develop the virtual assets related business, including the blockchain technology research and marketing support. For further details of the Investments in Associates, please refer to the announcement of the Company dated 9 January 2023 and Note 16 to the consolidated financial statements.

E-Commerce Business

Online shopping market in the PRC has experienced rapid growth over the past few years. To keep pace with the PRC’s policy of development of E-Commerce and grasp the business opportunity arisen from the universe of E-Commerce especially the change of consumers’ living style from offline to online, starting from 2022, the Group has kicked-off the development of the E-Commerce business in the PRC from 2022. The E-Commerce business contributed approximately HK\$55,491,000 or 42.1% of the total revenue of the Group for the year ended 30 June 2023 (2022: approximately HK\$18,108,000 or 16.1% of the total revenue).

Currently, the Group has operated the E-Commerce business through a developed mobile application “Michong Short Video (米虫短視頻)” (formerly named “Michong App”). Different from the traditional online shopping platform, the App refreshes a new shopping experience for users and customers in the new era, which link high-quality products (covering fresh vegetables and fruits, food and beverages, home appliances, beauty accessories and other products) and massive users through original video content. In order to encourage more users to use the App and enjoy shopping experience through its video content, the Group suspended the paying membership scheme during the year ended 30 June 2023. As at 30 June 2023, the number of registered members of the App significantly increased to approximately 5,784,000 (2022: approximately 473,000).

The Group mainly cooperates with domestic E-Commerce product suppliers with long-term industry experience in E-Commerce business in the PRC. The competition of the domestic E-Commerce business in the PRC is coming to a head, the Group strives to guarantee and provide the satisfied online shopping experience to our member on the selection of E-Commerce commodities, quality assurance, logistics supply and after-sales service.

In view of the continuous growth of the number of registered members of the App, the Group began to expand the advertising business through the App, by playing video advertisements for banking, insurance, and life service industries, etc. During the year ended 30 June 2023, the Group recognised advertising income at approximately HK\$7,462,000 (2022: Nil).

Network support services and network connectivity services segment

During the year ended 30 June 2023, the revenue from network support services and network connectivity services segment decreased by approximately HK\$18,044,000 or 19.1% to approximately HK\$76,246,000 (2022: *approximately HK\$94,290,000*). The revenue from Malaysian market decreased by approximately HK\$20,547,000 or 22.4% to approximately HK\$71,221,000 (2022: *approximately HK\$91,768,000*), which was mainly due to completion of one-off projects in sales of hardware with significant amount in prior year and the effect of exchange rate. Gross profit margin has dropped to approximately 22.0% during the year ended 30 June 2023 (2022: *approximately 23.7%*) in the Malaysian market. Over the years, our team in Malaysia has developed more experiences and expertise in the field which make it easier to find and attract target customers, better manage customer relationships, and improve sales team performance. We will devote our best effort to grasp each opportunity, improve revenue, gross profit margin and maintain our market share in Malaysia.

To diversify our markets, broaden sources of income and increase our competitiveness, the Group has explored markets on the network support services and network connectivity services to the PRC. The revenue from the PRC market increased by approximately HK\$2,503,000 or 99.2% to approximately HK\$5,025,000 (2022: *approximately HK\$2,522,000*), the Group expected that the revenue from the PRC market will increase gradually.

PROSPECT

According to the report from Coinmarketcap.com, the market capitalisation of virtual assets has increased from approximately US\$10.3 billion in 2013 to approximately US\$1,076.6 billion in January 2023, or to approximately 2% of the combined equity market capitalisation of the New York Stock Exchange and NASDAQ. In view of the current development of blockchain technology in the decentralisation of the Internet, the Board is of the opinion that blockchain technology, as well as virtual assets, has the potential to bring about profound changes to the existing financial and technology industries.

With the growth of the E-Commerce business of the Group, the Group will expand its network of partnership to strengthen its competitive advantage, and continuously improve operational efficiency. In addition, the Group will continue to make use of technological innovation, and invest in the research and development of the basic construction of the metaverse concept, especially the research and development of blockchain technology, NFT technology and virtual assets, to create the best interest to the Shareholders and contribute to the high-quality development of the digital economy in the PRC.

In April 2023, the Company has established an indirect wholly-owned subsidiary in Hong Kong, namely Morwin Blockchain Technology Limited. The scope of Morwin's principal businesses will include providing global customers with customised solutions on virtual assets trading exchanges, solutions on NFTs trading platforms, as well as consulting services and total solutions regarding matters such as metaverse and cryptocurrencies. The Group believes that the operation of Morwin will seize the future opportunities, strive to seek the opportunities for investment, development or collaboration in the market, and participate in and promote the development and application of blockchain technology by leveraging on the Company's cumulative advantages in blockchain technology.

Currently, the R&D team has successfully developed a multi-public chain and multi-currency blockchain wallet for preliminary evaluation of virtual asset exchanges. In coming years, the Group will gradually increase its investment in the development of blockchain technology business, with a target to explore this new business in providing development services to global enterprises with demand on blockchain technology service.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is susceptible to material risks associated with the Group's business. The Board acknowledges its responsibilities for the establishment and maintenance of adequate and effective risk management and internal control systems to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of the Shareholders. Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is the highest level of our risk management and internal control structure. It is ultimately responsible for establishing an effective risk management environment. Its responsibilities include:

- developing the overall risk management targets, risk management policies and internal control systems;
- optimising the governance structure and authorisation hierarchy;
- guiding and defining the limits for specific risk management work; and
- authorising responsibilities to other departments.

Based on the risk assessments conducted during the year ended 30 June 2023, the details of significant risks and the relevant risk responses are highlighted as follow:

Risk Categories	Risk Title	Risk Description	Risk Response
Strategic	Failure to anticipate and respond to changes in technologies or consumers' needs could adversely affect the Group's business	This is a high-level and corporate-wide risk, which include market risk and the threat of substitutes.	The changes in technologies or needs is not controllable. The Group can only closely monitor the technical advancements to mitigate the risks at the current stage. The Group has developed new sources of income, including income in the E-Commerce business, Secure Cloud Service and Data Content Management Hub to diversify the concentration risk of the traditional network support services. In addition, the Group is exploring blockchain technology service business.
Economic	Impact on the Group's performance due to any downturn in economic conditions	A possible source of loss that might arise from less demand on the Group's products and services, and higher bad debts may also arise as a result of customers/business partners' inability to repay debts.	The Group regularly reviews forward looking indicators to identify economic conditions and adjust its business strategies promptly.

Risk Categories	Risk Title	Risk Description	Risk Response
Operational	Shortage of technical expertise	A possible source of loss that might arise from unstable supply of technical expertise. Projects that require specific skills are more susceptible to technical expertise shortage.	<p>The Group has offered benefit packages to enhance non-monetary benefits such as healthcare, wellness programs, and professional development opportunities to employees to maintaining employees' satisfaction.</p> <p>The Group will implement skill development and training program to address the shortage of technical expertise.</p>
	Failures of information technology systems	A possible source of loss that might arise from the interruption of the operation of the Group and potential leakage of confidential information.	<p>All computer systems of the Group are secured with access controls, while maintenance and update are conducted regularly by information technology department of respective subsidiary of the Group or the information technology services providers.</p> <p>Staff handbook has also been distributed to every employee, all employees are required to follow the staff handbook strictly to avoid any employee misconduct or fraud.</p>
	Dependent on major customers for a significant portion of our business and the loss of any of such customers could materially and adversely affect our business and financial position	A possible source of loss that might arise from the loss of key customers.	<p>The Group has conducted various marketing activities to attract potential and existing customers. The goal of this promotion strategy in marketing is to increase market awareness and to establish long-term relationship with the customers. The Group has developed new services such as E-Commerce, Secure Cloud Service and Data Content Management Hub to attract more business from current and potential customers. In addition, the Group is exploring blockchain technology service business to further diversify its customer base.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

Risk Categories	Risk Title	Risk Description	Risk Response
	The Group business comprises contracts and we may be unable to secure new contracts	A possible source of loss that might arise from the inability to secure new contracts.	To attract new contracts, the Group has broadened its product and services offerings, introduced various marketing activities, and provided customised solutions to the customers.
Liquidity	The Group is exposed to payment delays and/or defaults by our customers	Payment delays and/or defaults may lead to liquidity issues in the Group's working capital.	The Group generally does not provide a long credit period to new customers unless they are multi-national enterprises with good reputation. In some instances, the Group may also require customers to provide a personal guarantee for such credit limit. To collect overdue trade receivables, the Group monitors overdue payments closely.
Financial	The capital expenditure of our Group for the purchase of hardware may result in an increase in our depreciation expenses	Additional depreciation expenses may adversely affect our financial performance in the future.	The Group will also consider to lease the equipment if lease is more beneficial than purchase.

The Board has periodically reviewed the key risk areas and appropriate risk mitigation strategies. Overall, the Board considers the risk management and internal control systems of the Group are effective and adequate. The Board will continue to assess the effectiveness and adequacy of risk management and internal control systems.

Further descriptions of the Group's financial risk (including interest rate risk, foreign currency risk, credit risk, and liquidity risk), management objectives and policies are set out in Note 31 to the consolidated financial statements.

There were no material difference in the identified risks between the years ended 30 June 2023 and 2022. An analysis of the Group's performance during the year ended 30 June 2023 using financial key performance indicators is set out in the section headed "Financial Summary" and "Management, Discussion and Analysis" on page 176 and pages 7 to 23 respectively of this report.

FINANCIAL REVIEW

Revenue

The Group derives its revenue primarily from the provision of comprehensive and customised (i) network support services which includes the revenue from sales of hardware, on-site installation of hardware, network management and securities services, and lease of hardware, (ii) network connectivity services and (iii) the E-Commerce business.

Our revenue increased by approximately HK\$19,339,000 or 17.2% from approximately HK\$112,398,000 for the year ended 30 June 2022 to approximately HK\$131,737,000 for the year ended 30 June 2023. Such increase was mainly attributable to the new introduction of the E-Commerce business in 2022, which contributed approximately HK\$55,491,000 or 42.1% of the total revenue for the year ended 30 June 2023 (2022: approximately HK\$18,108,000 or 16.1% of the total revenue), and partially offset by decrease in revenue from sales of hardware by approximately HK\$17,118,000 or 74.1% to approximately HK\$5,998,000 for the year ended 30 June 2023 (2022: approximately HK\$23,116,000) due to completion of one-off projects with significant amount in prior year.

Cost of sales and services

Our cost of sales and services decreased by approximately HK\$9,186,000 or 12.7% from approximately HK\$72,075,000 for the year ended 30 June 2022 to approximately HK\$62,889,000 for the year ended 30 June 2023, which was mainly attributable to the decrease in the cost of inventories by approximately HK\$16,816,000 or 74.7% to approximately HK\$5,707,000 for the year ended 30 June 2023 (2022: approximately HK\$22,523,000), which is in line with the decrease in revenue from sales of hardware.

Gross profit margin

Our gross profit margin increased from approximately 35.9% for the year ended 30 June 2022 to approximately 52.3% for the year ended 30 June 2023, which was mainly due to the net effect of (i) decrease in gross profit margin in network support services and network connectivity services from approximately 23.6% for the year ended 30 June 2022 to approximately 22.0% for the year ended 30 June 2023 due to the increase in the cost of network equipment and hardware; and (ii) introduction of the E-Commerce business, which contributed a relatively higher gross profit and larger portion of total revenue of the Group. The gross profit margin of the E-Commerce business was approximately 91.9% for the year ended 30 June 2023 (2022: approximately 99.0%), the decrease in gross profit margin was mainly due to the increase in cost on server fee in line with the increase of business activities and registered members in the App.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Our other income mainly represented interest income from bank deposits, government subsidies and miscellaneous income. Other income decreased by approximately HK\$232,000 or 43.0% from approximately HK\$540,000 for the year ended 30 June 2022 to approximately HK\$308,000 for the year ended 30 June 2023. Such decrease was mainly attributable to the decrease in miscellaneous income by approximately HK\$222,000 or 86.6%.

Other gain and losses, net

Other losses, net of approximately HK\$43,000 for the year ended 30 June 2023, as compared to other gain, net of approximately HK\$1,294,000 for the year ended 30 June 2022. The change of other gain or losses, net was attributable to (i) the recognition of loss on disposal of property, plant and equipment for the year ended 30 June 2023 of approximately HK\$69,000 (2022: *gain of approximately HK\$431,000*); and (ii) the recognition of foreign exchange loss, net of approximately HK\$101,000 (2022: *foreign exchange gain, net of approximately HK\$726,000*).

Selling expenses

Our selling expenses mainly represented (i) marketing fee incurred on promotion of the E-Commerce business; (ii) commission to our sales representatives for securing contracts with new and current customers; and (iii) other staff costs for the sales team of the Group.

Selling expenses decreased by approximately HK\$38,104,000 or 86.5% from approximately HK\$44,073,000 for the year ended 30 June 2022 to approximately HK\$5,969,000 for the year ended 30 June 2023. Such decrease was mainly attributable to the decrease in initial marketing fee incurred on promotion of the E-Commerce business by approximately HK\$40,013,000 or 97.5% to approximately HK\$1,026,000 for year ended 30 June 2023 (2022: *approximately HK\$41,039,000*).

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$5,678,000 or 15.9% from approximately HK\$35,648,000 for the year ended 30 June 2022 to approximately HK\$41,326,000 for the year ended 30 June 2023. The increase was mainly due to expansion of the Group's business in the PRC, especially in (i) increase in staff cost for administrative and management personnel (including Directors) by approximately HK\$5,245,000 or 41.1% to approximately HK\$18,006,000 for the year ended 30 June 2023 (2022: *approximately HK\$12,761,000*) due to increase in average number of employees; and (ii) increase in depreciation of property, plant and equipment by approximately HK\$1,822,000 or 14.9% to approximately HK\$14,086,000 for the year ended 30 June 2023 (2022: *approximately HK\$12,264,000*).

Finance costs

Our finance costs mainly derived from the interest expenses on interest-bearing borrowings and bank overdrafts and interest expenses on lease liabilities. Such costs increased by approximately HK\$142,000 or 43.4% from approximately HK\$327,000 for the year ended 30 June 2022 to approximately HK\$469,000 for the year ended 30 June 2023. The increase was mainly due to (i) increase in interest expenses on interest-bearing borrowings and bank overdrafts by approximately HK\$50,000 or 24.2% to HK\$257,000 for the year ended 30 June 2023 (2022: approximately HK\$207,000) due to the increase in average balance of bank overdrafts during the year ended 30 June 2023; and (ii) increase in interest expenses on lease liabilities by approximately HK\$92,000 or 76.7% to HK\$212,000 for the year ended 30 June 2023 (2022: approximately HK\$120,000) due to the increase in average balance of lease liabilities during the year ended 30 June 2023.

Share of results of associates

Our share of results of associates derived from the Investments in Associates. Share of results of associates amounted to loss of approximately HK\$75,000 for the year ended 30 June 2023 (2022: Nil).

Income tax expenses

Income tax expenses increased by approximately HK\$690,000 or 228.5% from approximately HK\$302,000 for the year ended 30 June 2022 to approximately HK\$992,000 for the year ended 30 June 2023. The increase was mainly attributable to the combined effect of (i) increase in assessable profits of the PRC subsidiaries during the year ended 30 June 2023; (ii) decrease in assessable profits of Malaysian subsidiaries during the year ended 30 June 2023; and (iii) recognition of deferred tax credit in relation to the temporary differences arising from the capital allowances and accelerated accounting depreciation, and provision for contract costs and contract liabilities at approximately HK\$1,499,000 for the year ended 30 June 2023 (2022: deferred tax charge of approximately HK\$65,000).

Profit (Loss) for the year

Our profit for the year was approximately HK\$20,282,000 for the year ended 30 June 2023 as compared to loss of approximately HK\$38,193,000 for the year ended 30 June 2022. The turnaround was mainly due to the aggregate effect of increase in revenue and improvement in gross profit margin, decrease in selling expenses and partially offset by the increase in administrative and other operating expenses, as analysed above.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded its liquidity and capital requirements primarily through capital contributions from Shareholders, interest-bearing borrowings, internally generated cash flow and proceeds received from the Shares Offer.

As at 30 June 2023, the Group had bank balances and cash of approximately HK\$22,000,000 (2022: approximately HK\$49,342,000) and pledged bank deposits of approximately HK\$4,629,000 (2022: approximately HK\$4,845,000).

As at 30 June 2023, the Group recorded interest-bearing borrowings and bank overdrafts of approximately HK\$5,481,000 (2022: approximately HK\$5,273,000) and lease liabilities of approximately HK\$4,061,000 (2022: approximately HK\$4,722,000).

As at 30 June 2023, the Group's current assets and current liabilities were approximately HK\$74,966,000 (2022: approximately HK\$101,569,000) and approximately HK\$29,422,000 (2022: approximately HK\$80,303,000), respectively. As at 30 June 2023, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.5 times (2022: approximately 1.3 times).

As at 30 June 2023, we had unutilised banking facilities for short-term financing of approximately HK\$4,354,000 (2022: approximately HK\$4,862,000).

The gearing ratio is calculated based on the amount of total interest-bearing borrowings and bank overdrafts and lease liabilities divided by total equity. The gearing ratio of the Group as at 30 June 2023 is approximately 12.8% (2022: approximately 17.9%). The decrease in gearing ratio was mainly attributable to the increase in total equity.

CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on 9 December 2019. There has been no change in the capital structure of the Company since then. As at 30 June 2023, the capital structure of the Group comprised mainly of issued share capital and reserves. As at 30 June 2023, equity attributable to equity holders of the Company amounted to approximately HK\$73,916,000 (2022: approximately HK\$55,666,000).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and had maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirement from time to time.

FOREIGN EXCHANGE EXPOSURE

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously to monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (2022: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 146 employees (including Executive Directors) (2022: 115 employees). The staff costs (including Directors' emoluments) were approximately HK\$26,028,000 for the year ended 30 June 2023 (2022: approximately HK\$18,678,000). The remuneration package of the employees is determined by various factors such as their qualifications, working experience and job performance, the market condition, industry practice and applicable employment law. Discretionary bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

To provide incentive to the eligible participants (including Directors and employees), the remuneration package has been extended to include share award under the Share Award Schemes and share options under the Share Option Scheme. Details of the Share Award Schemes and the Share Option Scheme are set out in the section headed "Share Schemes" in the "Report of the Directors" on pages 37 to 41 of this report.

The Group encourages and subsidises employees to enrol and/or participate in development or training courses in support of their career and professional development. The Group also provides in-house training courses for the personal development of the employees.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group companies in the PRC have participated in defined contribution retirement plans and other employee social security plans including pension, medical, other welfare benefits (the “**Defined Contribution Plans in the PRC**”), which are organised and administered by the relevant governmental authorities for all qualifying employees in the PRC. The Group contributes to these plans based on certain percentages of relevant monthly salaries of its employees, subject to ceiling, as stipulated by the relevant regulations. The Group has no further payment obligation once the contributions have been paid. The Group’s contributions to the Defined Contribution Plans in the PRC vest fully and immediately with the employees. Accordingly, there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Plans in the PRC as at 30 June 2023 and 2022. For the year ended 30 June 2023, the total amount contributed by the Group to the Defined Contribution Plans in the PRC was approximately HK\$971,000 (2022: approximately HK\$395,000).

The Group contributed defined contribution scheme to employees. The Group has participated in the Employees Provident Fund Scheme (the “**EPF Scheme**”) under the Employees Provident Fund Act 1991 for qualifying employees of the Group in Malaysia. The Group has contributed at 13% of relevant monthly salaries for the employees who render monthly salaries of RM5,000 or below; and 12% of relevant monthly salaries for the employees who render monthly salaries of more than RM5,000 to the EPF Scheme. The Group’s contributions to the EPF Scheme vest fully and immediately with the employees. Accordingly, there were no forfeited contributions which arose upon employees leaving the scheme before their interests in the Group’s contribution became fully vested and thus there were no such forfeited contributions which were available to reduce the Group’s existing level of contributions to the EPF Scheme as at 30 June 2023 and 2022. For the year ended 30 June 2023, the total amount contributed by the Group to the EPF Scheme was approximately HK\$1,380,000 (2022: approximately HK\$1,387,000).

PLEDGE OF ASSETS

As at 30 June 2023, the Group’s interest-bearing borrowings and bank overdrafts and lease liabilities are secured by charges over the following assets of the Group:

	2023 HK\$’000	2022 HK\$’000 (restated)
Motor vehicles	1,405	2,062
Pledged bank deposits	4,629	4,845
	6,034	6,907

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND SIGNIFICANT INVESTMENTS

Save as the Investment in Associates and investment in Hua Rui Teng Bang Technologies (Shenzhen) Limited* (“**Hua Rui**”) (華瑞騰邦科技(深圳)有限公司), another associate which set out in Note 16(iii) to the consolidated financial statements, the Group did not have material acquisitions or disposals of subsidiaries and affiliated companies and significant investments during the year ended 30 June 2023.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitments contracted but not provided for in the consolidated financial statements of approximately HK\$30,301,000 (2022: approximately HK\$17,523,000). Details of the capital commitments are set out in Note 34 to the consolidated financial statements.

EVENTS AFTER REPORTING PERIOD

Wholly-owned Subsidiaries of the Group in the PRC Received the Administrative Judgment from Yichun City Yuanzhou District People’s Court of Jiangxi Province

On 21 August 2023, Mebugs Technology Information (Shenzhen) Co., Limited* (米虫科技信息(深圳)有限公司) (“**Mebugs Shenzhen**”), and Michong Interconnected Network (Wuhan) Co., Ltd.* (米虫互聯網絡(武漢)有限公司) (“**Michong Wuhan**”) received an administrative order from Yichun City Yuanzhou District People’s Court of Jiangxi Province, the PRC (“**Yuanzhou District Court**”) (Order [2023] Gan 0902 Cai Bao No. 77) (the “**Administrative Order**”), claiming that Yichun City Yuanzhou District Administration for Market Regulation of Jiangxi Province (“**Yuanzhou District AMR**”), as the applicant, believes that Mebugs Shenzhen, Michong Wuhan and other 10 legal entities unrelated with the Group distributed respectively in Guangdong Province, Hubei Province, Hunan Province, Tianjin City, Anhui Province and Fujian Province “are suspected of pyramid schemes in operation”, and applies to Yuanzhou District Court for property preservation, requiring temporary seizure and freezing of the bank deposits or other equivalent properties under the name of Mebugs Shenzhen and Michong Wuhan in the amount of RMB8,000,000 (equivalent to approximately HK\$8,736,500) and RMB36,170,000 (equivalent to approximately HK\$39,499,800), respectively.

Upon verification by the Company, the bank deposits under the name of Mebugs Shenzhen and Michong Wuhan are seized and frozen by Yuanzhou District Court in the amount of RMB8,000,000 (equivalent to approximately HK\$8,736,500) and RMB92,300 (equivalent to approximately HK\$100,800), respectively (the “**Temporary Suspension of Bank Accounts**”).

As advised by Hubei Fuxi Law Firm* (湖北省賦兮律師事務所) (the “**PRC Legal Adviser**”), the business model of Michong Wuhan in selling E-commerce membership cards has no feature of pyramid scheme. Based on the legal analysis opinions issued by the PRC Legal Adviser, the E-commerce membership card sales business of Michong Wuhan from January 2022 to June 2022 is in all major respects compliant with all relevant laws and regulations in the PRC, and shall not be deemed as a pyramid scheme as it does not fall into the prohibited category under the *Regulations on the Prohibition of Pyramid Schemes* (the Order No. 444 of the State Council of the PRC).

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, Michong Wuhan, the subsidiary of the Group which is mainly engaged in E-commerce business, is located in East Lake High-tech Development Zone, Wuhan City, Hubei Province. According to the opinions of the PRC Legal Adviser, since Michong Wuhan is an online platform operator and if it is suspected of violating the law by selling goods or providing services through online services, it should be under the jurisdiction of East Lake Hi-tech Development Zone Administration for Market Regulation, or under the direct jurisdiction of its superior authority or under the jurisdiction of another authority inferior to and appointed by said authority.

In response to the order of temporary suspension of bank cards from Yuanzhou District Court, the PRC Legal Adviser has taken rapid actions to safeguard the lawful rights and interests of the Company, and applied to the court for reconsideration. In response to the investigation of Yuanzhou District AMR, the PRC Legal Adviser has lodged representations against the lack of legal jurisdiction in accordance with legal procedures, and has appealed to its superior authority for fair treatment.

To the best knowledge of the Board, such Temporary Suspension of Bank Accounts will not have material adverse effect on the operations of the Group, as (i) the E-commerce membership card sales business of Michong Wuhan, which was claimed by Yuanzhou District AMR to be suspected of pyramid scheme, was fully terminated by 30 June 2022, and currently the Company is not engaged in such business; (ii) the operations of the Group's subsidiaries established in the PRC are not affected by such events; (iii) each wholly-owned subsidiary located in the PRC is able to utilize the remaining cash on hand and the operating cash inflow to pay the costs incurred in ordinary business to maintain the normal operations in the PRC; and (iv) the Company has taken appropriate controls and measures to prevent the occurrence of similar events, such as maintaining continuous communication and reporting with local administrations for market regulation in Wuhan to enable the Wuhan Hi-tech Development Zone Administration for Market Regulation to supervise the operations of the Company, and ensure that our operations comply with relevant rules and regulations in all respects.

Up to the date of this report, the PRC Legal Adviser and the Company are in the process of developing further actions regarding the contents of the Administrative Order and the release of the Temporary Suspension of Bank Accounts and are continuing to assess the impact of these events on the Group, including operational risks and potential compensation. Further details will be disclosed in the Company's announcement.

More details of the Administrative Order and analysis from the PRC Legal Adviser are set out in the announcement of the Company dated 25 August 2023.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on GEM of the Stock Exchange on 9 December 2019. The proceeds received from the issuance of 150 million ordinary shares by share offer at HK\$0.40 per offer share was HK\$60.0 million. As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the net proceeds after deduction of underwriting fees and related listing expenses were approximately HK\$28.0 million (the “**Net Proceeds**”) and the Company intends to use the Net Proceeds from the Share Offer for the following purposes:

Approximate amount of net proceeds	Business strategies
HK\$4.6 million or 16.4%	Implement cloud-based data content management solution
HK\$11.0 million or 39.3%	Acquire additional hardware and software to provide cloud-based internet security services
HK\$6.3 million or 22.5%	Establish a disaster recovery centre and becoming a holder of network service provider licence
HK\$1.4 million or 5.0%	Establish a branch office and a backup data centre in Kuala Lumpur
HK\$2.7 million or 9.6%	Expand and strengthening our manpower to cater for the anticipated expansion plans
HK\$2.0 million or 7.2%	Promote our business to capture more market share in the industry

An analysis of the utilisation of the Net Proceeds up to 30 June 2023 is set out below:

Business Strategies	Planned use of the Net Proceeds up to 30 June 2023 HK\$'000	Actual amount utilised up to 30 June 2023 HK\$'000	Unutilised Net Proceeds up to 30 June 2023 HK\$'000
Implement cloud-based data content management solution	4,615	4,250	365
Acquire additional hardware and software to provide cloud-based internet security services	11,012	11,012	–
Establish a disaster recovery centre and a backup data centre and becoming a holder of network service provider license	6,267	5,645	622
Establish a branch office in Kuala Lumpur	1,413	720	693
Expand and strengthening our manpower to cater for the anticipated expansion plans	2,645	2,596	49
Promote our business to capture more market share in the industry	2,048	2,048	–
	28,000	26,271	1,729

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors will continue to examine the Group's business objectives and may change or modify the plans against the changing market conditions to pursue business growth of the Group.

The net proceeds have not been fully utilised up to 30 June 2023 as previously disclosed in the Prospectus because of the reasons elaborated below:

1. As for the implementation of cloud-based data content management solution, the unutilised portion amounted to approximately HK\$365,000 as at 30 June 2023 was due to lower-than-expected hardware and software maintenance cost, the Group plans to use the unutilised portion for maintenance cost during the year ending 30 June 2024;
2. As for the establishment of a disaster recovery centre and a backup data centre and becoming a holder of network service provider license, the unutilised portion amounted to approximately HK\$622,000 as at 30 June 2023. Due to the outbreak of the COVID-19, the Group's plan to purchase data centre space facilities of a backup data centre has been delayed, the Group plans to use the unutilised portion to purchase and maintain data centre space facilities of a backup data centre during the year ending 30 June 2024;
3. As for the establishment of a branch office in Kuala Lumpur, the unutilised portion amounted to approximately HK\$693,000 as at 30 June 2023 due to lower-than-expected office rent for the branch office in Kuala Lumpur, the Group plans to use the unutilised portion to rent the branch office in Kuala Lumpur during the year ending 30 June 2024; and
4. As for expanding and strengthening manpower to cater for the anticipated expansion plans, the unutilised portion amounted to approximately HK\$49,000 as at 30 June 2023 due to lower-than-expected salary expenses and the Company is still recruiting a suitable candidate with the right skills and experience for the position of compliance manager, the Group plans to use the unutilised portion for salary expenses and recruiting a compliance manager during the year ending 30 June 2024.

As at 30 June 2023, the Net Proceeds of approximately HK\$1,729,000 had not yet been utilised as planned (the "**Unutilised Net Proceeds**"), but is expected to be utilised during the financial year ending 30 June 2024. The Group will continue to apply the Net Proceeds from the Listing in the same manner as specified in the section headed "Future Plans and Use of Proceeds" set out in the Prospectus.

All the Unutilised Net Proceeds have been placed in licensed banks in Hong Kong and Malaysia.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The future plan and the planned amount of usage of the Net Proceeds as stated in the "Future Plans and Use of Proceeds" were based on the best estimation and assumption of future market conditions at the time of preparing the Prospectus of the Company dated 25 November 2019 while the proceeds were applied based on the actual development of the Group's business and the industry. An analysis comparing the business strategies stated in the Prospectus with the Group's actual business progress is set out below:

Business strategies

Actual business progress up to 30 June 2023

Implement cloud-based data content management solution

Partly utilised for implementing the cloud-based data content management solution and the remaining will be utilised for hardware and software maintenance during the year ending 30 June 2024.

Acquire additional hardware and software to provide cloud-based internet security services

Utilised for implementing cloud-based internet security services and for hardware and software maintenance.

Establish a disaster recovery centre and becoming a holder of network service provider licence

Partly utilised for purchasing the hardware and software required for establishing a disaster recovery centre as a result of delay due to the outbreak of COVID-19. The remaining amount for purchasing and maintaining data centre space facilities and backup data centre will be utilised in the year ending 30 June 2024.

Establish a branch office and a backup data centre in Kuala Lumpur

Partly utilised for paying the rental of the new branch office since February 2020. The remaining amount will be utilised for paying the rental of the new branch office in the year ending 30 June 2024.

Expand and strengthening our manpower to cater for the anticipated expansion plans

Partly utilised for recruiting two IT specialist engineers, one service delivery manager and two senior sales executive during the year ending 30 June 2020. The remaining amount will be used for recruiting a compliance manager during the year ending 30 June 2024.

Promote our business to capture more market share in the industry

Utilised for expanding and exploring more effective online marketing strategies via LinkedIn, Facebook and Google ad and by redesigning the Company's website. Partly utilised in promoting the E-Commerce business in the PRC.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Yu Decai (余德才) (“Mr. Yu”), aged 49, has been appointed as an Executive Director of the Company on 21 July 2021, and has been subsequently appointed as (i) the chairman of the Board (the “**Chairman**”); (ii) the chief executive officer of the Company (the “**Chief Executive Officer**”); (iii) a member of nomination committee of the Company (the “**Nomination Committee**”); (iv) a member of the remuneration committee of the Company (the “**Remuneration Committee**”); (v) the compliance officer of the Company (the “**Compliance Officer**”); and (vi) one of the authorised representatives of the Company (the “**Authorised Representative**”) on 20 May 2022. Mr. Yu is responsible for the overall business strategy and major business decision of the Group.

Mr. Yu graduated from the Shanghai Institute of International Economic and Technical Education with a Bachelor’s Degree in Management and holds the qualification as a qualified funds practitioner which was granted by the Asset Management Association of China. He has more than 12 years of experience in technologies, media and telecommunications sector investment, corporate strategic management, project management, investment business and funds management.

Mr. Yu is a director of Hong Kong Worldtone Riches Fund Management Limited and has been appointed as the chairman of board of supervisors of Shenzhen Sunrise New Energy Co., Ltd.* (a company listed on the Shenzhen Stock Exchange, stock code: 002256) (“**Shenzhen Sunrise**”).

Mr. Hu Mingdai (胡命岱) (“Mr. Hu”), aged 42, has been appointed as an Executive Director of the Company on 20 May 2022. Mr. Hu is responsible for the overall business strategy and major business decision of the Group.

Mr. Hu graduated from Private Hualian College in Guangzhou, the PRC with major in Business English in June 2002. He obtained a securities practice qualification certificate from the Securities Association of China in April 2016 and the qualification as a qualified funds practitioner which was granted by the Asset Management Association of China in December 2016. Mr. Hu has more than 11 years of experience in fund investment and capital operation business in the PRC.

From October 2011, Mr. Hu has been appointed as a director of Shenzhen Worldtone Riches Fund Management Limited* (“**Shenzhen Worldtone**”). From June 2021, Mr. Hu has been further appointed general manager of Shenzhen Worldtone. From July 2021, Mr. Hu has been appointed as an authorised representative of Shenzhen Huitong Yingfu No. 1 Equity Investment Fund Partnership (Limited Partnership)* (“**Shenzhen Huitong**”).

* for identification purpose only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tsoi Chi Chuen Cheney (蔡志川) (“Dr. Tsoi”), aged 48, has been appointed as an Independent Non-executive Director on 20 July 2023. He is the chairman of the Remuneration Committee and a member of the audit committee of the Company (the “**Audit Committee**”).

Dr. Tsoi obtained a Master of Business Administration from the University of Iowa in the USA in May 2005 and a Doctor of Business Administration from Westcliff University in the USA in September 2018. Dr. Tsoi is currently a PhD Candidate in Economics at the Chinese Academy of Social Sciences. Dr. Tsoi worked in the Hongkong and Shanghai Banking Corporation Limited (HSBC) in Hong Kong and Banca della Svizzera Italiana (BSI) Private Bank in Switzerland, served as financial planning manager and vice president of wealth management department respectively.

Dr. Tsoi is the founding president of the Asia Blockchain Society, a guest lecturer in digital economy at Zhejiang University, the PRC, an entrepreneurial mentor at Tencent Shanghai Entrepreneurship Training Base* (騰訊上海創業訓練基地), and the president of Hong Kong Blockchain Asset Management Co., Ltd.

Dr. Tsoi has long been committed to the research and promotion of blockchain technology. As a pioneer and evangelist in the cryptocurrency and blockchain industry, he has officially published *Bitcoin is Changing the World** (《比特幣正在改變世界》, 2014, Red Publish) and *Decoding Wealth Inheritance** (《財富傳承解碼》, 2017, Red Publish). As a guest speaker, Dr. Tsoi always attends major blockchain and Web3.0 summit forums around the world and interviews with major TV stations and mainstream media in Hong Kong, including the 13th Asia Financial Forum (AFF) held by the Hong Kong Government and the Hong Kong Web3.0 Association established in April 2023.

Mr. Ng Der Sian (黃德祥) (“Mr. Ng”), aged 51, has been appointed as an Independent Non-executive Director on 20 May 2022. He is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

Mr. Ng graduated from Nanyang Technological University in 1996 with a Bachelor’s Degree in Accountancy. Mr. Ng has involved in the finance and capital market industry for more than 26 years, having started his career at Arthur Andersen with his last position as audit assistant manager in November 2000. From October 1997 to March 1999, Mr. Ng was appointed as credit analyst & marketing senior officer in OCBC Bank Singapore. From November 2000 to June 2003 and from July 2003 to November 2004, he served as a project controller & risk manager in Cap Gemini Ernst & Young and financial planning & analysis manager in GE Consumer Finance, a unit of General Electric Company. Mr. Ng is one of the founding partners of EV Capital Limited, a capital market consultancy company which incorporated in BVI, and worked as the director from December 2004 to December 2016. Mr. Ng is also the founder of One Investments & Consultancy Limited, a capital market consultancy company which incorporated in BVI, and has served as director since March 2011.

Mr. Ng has also been appointed as a director in AMD Holding Pte Ltd, a private company in Singapore since 2012; a director in One Group Consultancy Pte Ltd, a private company in Singapore since 2016; and One Group Capital Limited, a private company in BVI since 2017.

* for identification purpose only

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Zheng Li Ping (“Ms. Zheng”), aged 47, has been appointed as an Independent Non-executive Director on 20 May 2022. She is the chairman of the Nomination Committee and a member of the Audit Committee.

Ms. Zheng graduated from Heriot-Watt University, Edinburgh, United Kingdom with a Bachelor’s Degree in Estate Management in 2002. She also obtained a Master’s Degree in Accounting from St. John’s University, New York in 2006.

Ms. Zheng has involved in the finance industry for more than 16 years, having started her career at Deloitte & Touche LLP (New York) from September 2006 to August 2008 with her last position as senior auditor. From October 2008 to January 2010, Ms. Zheng was appointed as senior accountant in Medidata Solutions Inc, an American technology company. From March 2010 to March 2011, Ms. Zheng worked in Deloitte & Touche LLP (Singapore) with her last position as senior auditor. From April 2011 to May 2013 and from January 2014 to December 2015, she served as account manager in MOL Techno-Trade Asia Pte Ltd and finance manager in Abacus Capital (S) Pte Ltd. From June 2016 to November 2019, Ms. Zheng joined Chen Li Kindergarten in Singapore and worked as treasurer. Since December 2019, Ms. Zheng has been appointed as chief financial officer in Whampoa Group, a private company in Singapore.

SENIOR MANAGEMENT

Dato’ Eric Tan Chwee Kuang (“Dato’ Tan”), aged 44, was appointed as a Director on 5 June 2018 and redesignated as an Executive Director and appointed as the Chairman and Chief Executive Officer on 27 August 2018. On 20 May 2022, Dato’ Tan has resigned as an Executive Director, the Chairman and the Chief Executive Officer.

Dato’ Tan is the co-founder of the Group and a director of each of IP Core and Metro Direct Carrier (M) Sdn Bhd.. Dato’ Tan is primarily responsible for the business strategy, preparing annual budget proposals, and major business decisions of the Group’s business in Malaysia.

He has more than 23 years of experience in the ICT industry. On 1 August 1999, Dato’ Tan was employed as a support specialist responsible for providing technical support for clients in V-tech Computers Pte Ltd, an information technology service provider involving in sales of hardware and software, system maintenance, integration and relocation services and information technology support services for multinational and small-to-medium enterprises. In October 2001, he joined Perot Systems (Singapore) Pte. Ltd., an information technology service provider involving in consultancy, system integration and operation and software development in both the public and private sectors, where his last held position was a specialist responsible for providing system access support to clients. Dato’ Tan was assigned by Perot Systems (Singapore) Pte. Ltd. to support the information technology infrastructure for Union Bank of Switzerland, where his responsibilities mainly include monitoring and maintenance of global servers, performing remote access management and keeping maintenance records on a real-time basis in case of system failures.

Dato’ Tan obtained a Diploma in Computer Studies from the Informatics Institute, Malaysia in April 1998. He has also been certified as a Microsoft Certified Professional and a Microsoft Certified Systems Engineer in May 1998 and September 1998, respectively, under the Microsoft Certification Professional Program.

Ms. Fathim Nur Zaida Binti Zainal Ariffin (“Ms. Fathim”), aged 40, is the head of sales & alliance of the Group, and is primarily responsible for developing and managing business alliance and partnership relationships. She joined the Group in April 2014 as an account manager, and was promoted to her current position in January 2016. She has approximately 16 years of experience in the network computing and telecommunication industry. She started her career as a business consultant at Macrolynx Sdn. Bhd in 2006. She subsequently served as an account manager at Palette Multimedia Berhad from July 2009 to May 2010, and started working at Patimas Outsourcing Services Sdn. Bhd. from December 2011, where she gained exposure to handling business partnerships and customers by selling technology products and developing business strategies. From September 2012 to March 2014, she was a client sales manager at AIMS Data Centre Sdn. Bhd..

Ms. Fathim obtained a Diploma in Information Technology from the International Islamic College in Malaysia in August 2004. In January 2010, she obtained a Microsoft certification in ASP.NET under the Microsoft Certified Professional Developer Certifications Program. In February 2014, she also successfully completed a Certified Data Centre Professional course offered by Nota Asia (M) Sdn. Bhd..

Mr. Zhou Shuyang (周舒揚) (“Mr. Zhou”), aged 39, is the head of administrative and human resources department of the Group, and primarily responsible for managing the administrative and human resources related planning, operations and issues of the Group. Mr. Zhou has joined the Group and has been appointed in current position in July 2022. He graduated from the Open University of China with a Bachelor of Accounting (Honours) Degree in July 2020.

Mr. Zhou has over 11 years of experience in the accounting, finance and administration industry. From August 2011, Mr. Zhou has been appointed as a manager of investment department of Shenzhen Worldtone; from March 2017, he has been appointed as a director of Dongguan Better Electronic Technology Co., Ltd*; and from April 2022, he has been appointed as a director of capital market department of Shenzhen Sunrise.

Ms. See Hui Ting (“Ms. See”), aged 35, is the finance manager of the Group and is responsible for managing the finance and procurement department of the Company. Her main duties include managing the Group’s overall financial and accounting affairs by overseeing the Group’s budgetary control and forecasting, as well as managing the working capital and cash flow of the Group. She joined the Group and was appointed to her current position in January 2018. She graduated from the Multimedia University at Melaka, Malaysia with a Bachelor of Accounting (Honours) Degree in July 2011. She was admitted as a member of the Association of Chartered Certified Accountants in March 2017. In 2006, she also obtained a Certificate in Book-keeping – Second Level from the London Chamber of Commerce and Industry Examinations Board in the United Kingdom.

Ms. See has over 13 years of experience in the accounting and finance industry. After graduating from university, Ms. See served at Ernst & Young as an industrial trainee from October 2010 to April 2011. She then joined A Famosa Resort Hotel as a management trainee in August 2011, and became an internal audit officer in 2012. In August 2012, she joined KPMG PLT in Malaysia as an audit assistant, and left as an audit assistant manager in July 2017. Prior to joining the Group, she also served at KPMG Management & Risk Consulting Sdn Bhd from August 2017.

* for identification purpose only

DIRECTORS AND SENIOR MANAGEMENT PROFILE

COMPANY SECRETARY

Ms. Wong Po Lam (黃寶琳) (“Ms. Wong”), aged 33, has been appointed as a company secretary of the Company (the “**Company Secretary**”) and the Authorised Representative on 1 January 2021. Ms. Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, she obtained a Bachelor Degree in Accounting from the City University of Hong Kong in November 2012. Ms. Wong has approximately 11 years of experience in financial reporting, auditing, financial management, corporate secretarial and regulatory compliance in listed companies in Hong Kong. She has also been serving as a company secretary and an authorised representative of Nexion Technologies Limited (a company listed on the Stock Exchange, stock code: 8420) and Ritamix Global Limited (a company listed on the Stock Exchange, stock code: 1936).

REPORT OF THE DIRECTORS

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in rendering of (i) network support services mainly encompassing network infrastructure design and hardware installation, network management and security services; (ii) network connectivity services that focus on providing intranet and internet connectivity solutions and value-added services; and (iii) E-Commerce. The principle activities of the Company's principal subsidiaries are set out in Note 14 to the consolidated financial statements in this report.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the section headed "Management Discussion and Analysis" on pages 7 to 23 of this report. This discussion forms part of this Report of the Directors.

USE OF NET PROCEEDS FROM THE LISTING

Details of use of the Net Proceeds from the Listing are set out in the section headed "Management Discussion and Analysis" on pages 21 to 23 of this report.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAW AND REGULATION

The Group is committed to conducting its business in an environmentally conscious manner and minimising the adverse effects caused by its operations on the environment. The Group continues to make every endeavors in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using of energy-efficient light tubes, encouraging use of recycle papers and both sides of papers for printing and copying and keeping office temperature at reasonable level. The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business.

The Board pays attention to the Group's policies and practices on compliance with all significant legal and regulatory requirements essential to its business operations. The Group will seek professional advice from its external legal advisers and consultants to ensure transactions and business to be performed by the Group are in compliance with applicable environmental policies, laws and regulations. During the year ended 30 June 2023, as far as the Company is aware, it has complied in all material respects of the laws or regulations that have a significant impact on the Group's business and operation.

Details of environmental, social and governance policies and performance of the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 65 to 94 of this report.

KEY RELATIONSHIPS WITH THE GROUP'S EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group believes that employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. The Group has developed a desirable working environment and provided a variety of benefits and career development to its employees. Share awards and share options may also be granted for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group also recognises that maintaining a good and stable relationship with its current and potential customers, suppliers and other stakeholders are the keys to the sustainable development of the Group. Accordingly, the management has kept good communication with its suppliers and customers in order to monitor the credit quality of the customers and to make timely adjustments to its operating strategies to conform to the market trends. In addition, the Group places much effort to build up and maintain good relationships with various commercial banks and financial institutions as the businesses of the Group are capital intensive in nature and require on-going funding to maintain continuous growth.

For the year ended 30 June 2023, there was no serious and material dispute between the Group and its employees, customers and suppliers.

RESULTS AND DIVIDENDS

The Group's results for the year ended 30 June 2023 and the Group's financial position at that date are set out in the consolidated financial statements on pages 102 to 103 of this report.

The Board does not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" on page 176 of this report. This summary does not form part of the audited consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 30 June 2023 are set out in Note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 30 June 2023 are set in Note 23 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 30 June 2023 are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2023, the reserves of the Company available for distribution, as calculated in accordance with statutory provisions applicable in the Cayman Islands was approximately HK\$47,610,000 (2022: approximately HK\$48,291,000).

Details of the movements in the reserves of the Group and the Company during the year ended 30 June 2023 are set out in the consolidated statement of changes in equity and Note 27 to the consolidated financial statements, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30 June 2023, sales to the Group's five largest customers accounted for approximately 35.7% (2022: approximately 49.0%) of the total revenue for the year and sales to the largest customer included therein amounted to approximately 14.4% (2022: approximately 15.6%). Purchases from the Group's five largest suppliers accounted for approximately 89.2% (2022: approximately 78.5%) of the total purchases for the year ended 30 June 2023 and purchases from the largest supplier included therein amounted to approximately 50.8% (2022: approximately 36.9%).

None of the Directors or any of their close associates (as defined in the GEM Listing Rules) or any Shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section "Future Plans and Use of Proceeds" of the Prospectus and in the section headed "Management Discussion and Analysis" on pages 7 to 23 of this report, the Group does not have future plans for material investments and capital assets as at 30 June 2023.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 30 June 2023 and up to the date of this report were:

Executive Directors

Mr. Yu Decai
Mr. Hu Mingdai

Independent Non-executive Directors

Dr. Tsoi Chi Chuen Cheney (*Appointed on 20 July 2023*)
Mr. Ng Der Sian
Ms. Zheng Li Ping
Mr. Chen Youchun (*Resigned on 20 July 2023*)

The biographical details of the Directors are set out in section headed “Directors and Senior Management Profile” on pages 7 to 23 of this report.

Pursuant to Article 108(a) of the amended and restated articles of association of the Company (the “**Articles of Association**”), at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years. Accordingly, Mr. Hu Mingdai and Ms. Zheng Li Ping shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

Pursuant to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at such annual general meeting. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting. Accordingly, Dr. Tsoi Chi Chuen Cheney shall retire at the forthcoming annual general meeting and being eligible, offer himself for re-election.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

CHANGE IN DIRECTORS

On 20 July 2023, Mr. Chen Youchun resigned and Dr. Tsoi Chi Chuen Cheney has been appointed as an Independent Non-executive Director, a member of the Audit-Committee and the chairman of the Remuneration Committee (the “**Change in Directors**”). Details on the Change in Directors are set out in the Company’s announcement dated 20 July 2023.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the Executive Directors has entered into a letter of appointment with the Company for a fixed term of three years from the date of appointment, which is subject to termination by either party giving not less than three months’ written notice.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of one year from the date of appointment and renewable automatically for successive term of one year each commencing from the day following the expiry of the then current term, terminated by either party giving not less than three month’s written notice.

None of the Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Directors’ fees are subject to Shareholders’ approval at general meetings. Other emoluments are determined by the Board with reference to Directors’ duties, responsibilities and performance and the results of the Group. Details of the emoluments of the Directors and five highest paid individuals during the year ended 30 June 2023 are set out in Notes 9 and 10 to the consolidated financial statements in this report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company’s Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets and profit of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged for appropriate insurance covering the liabilities of its Directors and officers in respect of legal actions that may be brought against them during the year ended 30 June 2023.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, neither a Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company’s subsidiaries was a party during or at the end of the year ended 30 June 2023.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2023.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed in Notes 9 and 29 to the consolidated financial statements in this report, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during or at the end of the year ended 30 June 2023.

Save as disclosed in this report, there was no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or at the end of the year ended 30 June 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to our Company and the Stock Exchange, were as follows:

(i) Long position in the ordinary Shares of the Company

Name of Director	Nature of interest and capacity	Number of shares held/ interested (Note 1)	Approximate percentage of shareholding
Mr. Yu (Note 2)	Interests in controlled corporations	416,364,000 (L)	69.39%

Notes:

- The letter "L" demonstrates long position.
- Mr. Yu beneficially owns the entire issued shares of Thrive Harvest Limited ("**Thrive Harvest**") and Worldtone Riches Investment Limited ("**Worldtone Riches**"). Thrive Harvest is a company incorporated in the British Virgin Islands (the "**BVI**"), which in turn holds 303,864,000 Shares or approximately 50.64% of the issued share capital of the Company; and Worldtone Riches is a company incorporated in the BVI, which in turn holds 112,500,000 Shares or approximately 18.75% of the issued share capital of the Company. Therefore, Mr. Yu is deemed, or taken to be, interested in all the Shares held by Thrive Harvest and Worldtone Riches for the purpose of the SFO.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporations	Capacity/Nature	Number of shares held	Approximate percentage of interest
Mr. Yu	Thrive Harvest	Beneficial owner	1 ordinary share	100%
	Worldtone Riches	Beneficial owner	100 ordinary shares	100%

Save as disclosed above, as at 30 June 2023, none of the Directors nor chief executive of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and/or Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Schemes" below, at no time during the year ended 30 June 2023 were rights to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the Chief Executive of the Company, as at 30 June 2023, the following persons (other than a Director or Chief Executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were required pursuant to section 336 of the SFO to be entered in the register referred to therein or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group.

REPORT OF THE DIRECTORS

Long Position in the ordinary Shares of the Company

Name	Nature of interest and capacity	Number of Shares held/ interested (Note 1)	Approximate percentage of shareholding
Mr. Yu (Note 2)	Interest in a controlled corporation	416,364,000(L)	69.39%
Thrive Harvest (Note 2)	Beneficial owner	303,864,000(L)	50.64%
Worldtone Riches (Note 2)	Beneficial owner	112,500,000(L)	18.75%
Wuhan Jiayou (Note 3)	Interest in a controlled corporation	33,750,000(L)	5.625%
Shenzhen Huitong (Note 3)	Interest in a controlled corporation	33,750,000(L)	5.625%
Garden Wealth (Note 3)	Beneficial owner	33,750,000(L)	5.625%

Notes:

1. The letter “L” demonstrates long position.
2. Mr. Yu beneficially owns the entire issued shares of Thrive Harvest and Worldtone Riches. Therefore, Mr. Yu is deemed, or taken to be, interested in all the Shares held by Thrive Harvest and Worldtone Riches for the purpose of the SFO.
3. 100% equity interest of Garden Wealth Limited (“**Garden Wealth**”) is owned by Shenzhen Huitong and 97% equity interest of Shenzhen Huitong is owned by Wuhan Jiayou Information Technology Co., Ltd.* (“**Wuhan Jiayou**”). Therefore, Wuhan Jiayou and Shenzhen Huitong are deemed, or taken to be, interested in the Shares held by Garden Wealth for the purpose of the SFO.

* for identification purpose only

Interest in other member of the Group

Name of member of the Group	Name of shareholder	Approximate percentage of shareholding
IP Core Network Sdn. Bhd. (108744-U)	Ms. Fathim Nur Zaida Binti Zainal Ariffin	30%

Note: Ms. Fathim is one of the members of the Group’s senior management.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests and/or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE SCHEMES

Share Award Scheme

The Company has adopted a share award scheme (the “**Share Award Scheme**”) on 14 April 2023 (the “**Adoption Date**”) under the Shareholders’ approval by way of poll at the extraordinary general meeting of the Company on the Adoption Date (the “**EGM**”). The Share Award Scheme is effective upon obtaining the listing approval from the Stock Exchange on 21 April 2023. The terms of the Share Award Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Award Scheme:

(A) *Purpose*

The purposes of the Share Award Scheme are:

- (a) to recognise the contributions by certain employees and persons to the Group;
- (b) to provide the Eligible Award Participants (as defined in the following paragraph) with additional incentives in order to retain them for the continual operation and development of the Group; and
- (c) to attract suitable personnel for further development of the Group.

(B) *Duration*

Subject to any early termination as may be determined by the Board pursuant to the rules set out therein relating to the Share Award Scheme (the “**Share Award Scheme Rules**”), the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

(C) *Trustee*

Orient Securities Limited has been appointed by the Company as the initial trustee (the “**Trustee**”). To the best knowledge, information and belief of the Directors after making all reasonable enquiries, Orient Securities Limited and its ultimate beneficial owners are independent third parties of the Company.

(D) *Eligible Award Participants*

The following classes of participants are eligible for participation in the Share Award Scheme (the “**Eligible Award Participants**”):

- (a) Employee participant(s) including the director(s) and employee(s) (whether full-time or part-time) of any member of the Group (including persons who are granted awards under the Share Award Scheme (the “**Award**”) as inducement to enter into employment contracts with the Group); and

REPORT OF THE DIRECTORS

- (b) Service provider(s) including person(s) who provide services to any members of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, which include any independent distributor, contractor, supplier, agent, consultant or adviser to any member of the Group (where the continuity and frequency of their services are akin to those of employees of the Group), but exclude any placing agent or financial adviser providing advisory services for fundraising, mergers or acquisitions, and other professional services provider such as auditor or valuer (the “**Service Provider(s)**”),

provided that the Board may, from time to time, at its absolute discretion select any Eligible Award Participant to be a selected participant.

(E) *Total Number of Shares Available for Issue*

The maximum number of Shares which may be allotted and issued in respect of all Awards to be granted under the Share Award Scheme, all Options to be granted under the Share Option Scheme (as defined in the following section headed “Share Option Scheme” on pages 39 and 40 of this report), and the options and awards to be granted under any other share scheme(s) of the Company shall not in aggregate exceed 10% of the entire issued share capital of the Company as at the Adoption Date without the Shareholders’ approval (i.e. 60,000,000 Shares).

At the date of this report, a total of 60,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Award Scheme and the Share Option Scheme.

(F) *Maximum Entitlement of Each Eligible Award Participant*

the maximum number of Shares which may be issued in respect of all Awarded Shares which may be granted at any time under the Share Award Scheme together with options and awards which may be granted under any other share schemes for the time being of the Company to the Service Providers shall not exceed such number of Shares as equals to 1% of the issued share capital of the Company as at the Adoption Date.

(G) *Grant of Award to a Director, Chief Executive or Substantial Shareholder of the Company or Any of Their Associates*

Any grant of Awards to any of the Directors, chief executive of the Company or substantial Shareholder(s) (as defined in the Listing Rules), or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Award (if any)).

Where any grant of Awards to an independent non-executive Director or a substantial Shareholder or any of their respective associates would result in the Shares transferred and to be transferred or allotted and issued and to be allotted and issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) to such person in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Awards must be approved by the Shareholders in a general meeting of the Company.

(H) *Timing*

No Award shall be made or vested to the Eligible Award Participants pursuant to the Share Award Scheme Rules and no directions or recommendation shall be given to the Trustee with respect to granting or vesting of an Award or any acquisition, receipt or disposal of or dealing in Shares under the Share Award Scheme after inside information has come to the knowledge of the Company until (and including) the trading day after it has been announced pursuant to the requirements of the GEM Listing Rules.

(I) *Vesting Period*

Save for the circumstances prescribed in the Share Award Scheme, the vesting period of the Awards shall not be less than 12 months in general. However, the Board (or the Remuneration Committee where it relates to grants of the Awards to an Employee Participant who is a Director and/or senior manager of the Company) will have a discretion in allowing a shorter vesting period to an Employee Participant in the certain circumstances.

For more details on the Share Awards Scheme, please refer to Appendix I to the circular of the Company dated 16 March 2023 (the “**Circular**”). No Award has been granted, exercised, cancelled or lapsed under the Share Award Scheme since the Adoption Date and at the date of this report.

Share Option Scheme

The Company has terminated the share option scheme was approved and adopted by the Shareholders by way of written resolutions passed on 11 November 2019 and has adopted a new share option scheme (the “**Share Option Scheme**”) on the Adoption Date under the Shareholders’ approval by way of poll at the EGM. The Share Option Scheme is effective upon obtaining the listing approval from the Stock Exchange on 21 April 2023. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) *Purpose*

The purpose of the Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to the Eligible Option Participants (as defined in the following paragraph) and to promote the success of the business of the Group. The Share Option Scheme will give the Eligible Option Participants an opportunity to have a personal stake in the Company and will help motivate the Eligible Option Participants in optimising their performance and efficiency and attract and retain the Eligible Option Participants whose contributions are important to the long-term growth and profitability of the Group.

(B) *Duration*

Subject to any early termination as may be determined by the Board pursuant to the rules set out therein relating to the Share Option Scheme as amended from time to time, the Share Option Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

REPORT OF THE DIRECTORS

(C) *Eligible Option Participants*

The following classes of participants are eligible for participation in the Share Option Scheme (the “**Eligible Option Participants**”):

- (a) Employee participant(s) including the director(s) and employee(s) (whether full-time or part-time) of any member of the Group (including persons who are granted Options under the Share Option Scheme as inducement to enter into employment contracts with the Group); and
- (b) The Service Provider(s)

provided that the Board may, from time to time, at its absolute discretion select any Eligible Option Participant to be a selected participant.

(D) *Total Number of Shares Available for Issue*

The maximum number of Shares which may be allotted and issued in respect of all Awards and Options to be granted under the Share Award Scheme and the Share Option Scheme, respectively, and the options and awards to be granted under any other share scheme(s) is 60,000,000 Shares.

At the date of this report, a total of 60,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Award Scheme and the Share Option Scheme.

(E) *Maximum Entitlement of Each Eligible Option Participant*

Where any grant of Options to an Eligible Option Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Option Participant (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such Eligible Option Participant and his/her close associates (or associates if the Eligible Option Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Option Participant, the number and terms of any option(s) to be granted to Eligible Option Participant(s) to subscribe for new Share(s) under the Share Option Scheme (the “**Option**”) to be granted (and options previously granted to such Eligible Option Participant in the twelve (12)-month period), the purpose of granting Options to the Eligible Option Participant, an explanation as to how the terms of the Options serve such purpose and such information as may be required by the Stock Exchange from time to time. The number and terms (including the subscription price) of Options to be granted to such Eligible Option Participant must be fixed before Shareholders’ approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(F) *Grant and Acceptance of Options*

The Board shall, subject to the Share Option Scheme Rules and the GEM Listing Rules, be entitled (but shall not be bound) at any time and from time to time on any Business Day within a period of ten (10) years commencing on the Adoption Date to make an offer for the grant of the Option to such Eligible Option Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares (being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may, subject to maximum number of Shares available for issue, determine the subscription price, provided that no such grant shall be made if a prospectus is required to be issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any applicable laws or if such grant will result in the breach by the Company or the Directors of any applicable securities laws and regulations in any jurisdiction.

(G) *Vesting Period*

Save for the circumstances prescribed in the Share Option Scheme, the Option must be held by the grantee for at least twelve (12) months before the Option can be exercised.

(H) *Subscription Price of Shares*

The subscription price for Shares to be subscribed under the Share Option Scheme may be determined by the Board at its absolute discretion, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day;
- (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive business days immediately preceding the offer date; and
- (c) the nominal value of the Share on the offer date.

For more details on the Share Option Scheme, please refer to Appendix II to the Circular. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date and at the date of this report.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Island which oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

During the year ended 30 June 2023, save for the Share Award Scheme and the Share Option Scheme as set out in the section headed “Share Schemes” on pages 37 to 41 of this report, the Company did not enter into any equity-linked agreements in respect of the Shares.

DEBENTURE

No debenture was issued by the Company during the year ended 30 June 2023 and 2022.

COMPETING INTERESTS

During the year ended 30 June 2023, so far as the Directors are aware, none of the Directors, controlling shareholders or substantial shareholders of the Company, neither themselves nor their respective close associates (as defined under the GEM Listing Rules) had held any position or had interest in any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year ended 30 June 2023 are set out in Note 29 to the consolidated financial statements in this report. None of the related party transactions constitutes a connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 30 June 2023, the Group has not conducted any “connected transaction” or “continuing connected transaction” (as defined under Chapter 20 of the GEM Listing Rules) which is subject to reporting and annual review requirements under the GEM Listing Rules. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

On 23 June 2022, China Mebugs Technology Holding Limited (“**China Mebugs**”), a wholly-owned subsidiary of the Company and Thrive Harvest entered into a Shareholder’s loan agreement, pursuant to which Thrive Harvest agreed to make available to China Mebugs an unsecured and interest-free loan with principal amount of HK\$9,000,000 which is repayable on 31 December 2024 (the “**Shareholder’s Loan**”) for the purposes of financing China Mebugs’ business operations.

The Shareholder’s Loan is exempted from reporting, announcement and Shareholders’ approval requirements under Rule 20.88 of the GEM Listing Rules as it is provided by Thrive Harvest on normal commercial terms or better and no security is granted over the assets of the Group in respect of the Shareholder’s Loan.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the Investments in Associates and investment in Hua Rui, another associate mentioned in section headed “Management Discussion and Analysis” on page 8 of this report and Note 16 to the consolidated financial statements, there were no significant investments held by the Company during the year ended 30 June 2023, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 30 June 2023.

DONATION

During the year ended 30 June 2023, the Group made donation of approximately HK\$30,000 (2022: approximately HK\$158,000).

REVIEW BY THE AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 30 June 2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 30 June 2023 comply with applicable reporting standards, the GEM Listing Rules, and that adequate disclosures have been made.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered all of the Independent Non-executive Directors are independent.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in the section headed “Management Discussion and Analysis” on pages 19 to 20 of this report and Note 35 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been a sufficient public float of the Shares as required under the GEM Listing Rules (i.e. at 25% of the issued shares in public hands throughout the year ended 30 June 2023 and up to the date of this report).

AUDITOR

The consolidated financial statements of the Company for the years ended 30 June 2023 and 2022 have been audited by independent auditor, Mazars CPA Limited, who will retire, and being eligible, offer themselves for re-appointment. A resolution for Mazars CPA Limited’s re-appointment as the independent auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the forthcoming annual general meeting on Friday, 17 November 2023, the register of members of the Company will be closed from Tuesday, 14 November 2023 to Friday, 17 November 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. Shareholders are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Monday, 13 November 2023.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our Shareholders, clients and suppliers for their continuous and valuable support.

On behalf of the Board

Yu Decai

Chairman and Chief Executive Officer

Hong Kong, 22 September 2023

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Pursuant to Rule 18.44 of the GEM Listing Rules, the Directors are pleased to present this corporate governance report for the year ended 30 June 2023. This report highlights the key corporate governance practice of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adhere to a good standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules as the basis of the Company’s corporate governance practices.

During the year ended 30 June 2023, to the best knowledge of the Board, the Company has complied with all the applicable code provisions as set out in the CG Code, except for C.2.1 described in the paragraph headed “Board of Directors – Chairman and Chief Executive Officer” on page 47 of this report.

CORPORATE PURPOSE, VALUE AND STRATEGY

With the purpose to become one of the influential enterprise and preferred value-added partner in the Group’s businesses as well as exploring potential business development with an aim to maximise the value for the Shareholders, the Board has established that the Group’s core values are (i) integrity and transparency; (ii) innovation; (iii) diversity; (iv) respect; and (v) foresight, which create a positive and progressive culture for the Group to achieve its purpose and to maintain a long-term sustainable growth.

To embrace the core values to achieve the Company’s purpose, the Group also deliver message to employees with regular evaluation to encourages employees to work with the core values of the Company. The human resources department interviews and selects employees who would most likely fit in and foster the Company’s culture. Further, staff handbook and staff training also serve as a guideline to promote the Company’s value and culture. The Group believes all employees are our valuable assets.

Details of the Group’s strategy to fulfill and achieve its purpose are set out in section headed “Business Review” on pages 7 to 9 in this report. The Board reviews the implementation and strategic planning in support of its purpose annually.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings (the “**Required Standard of Dealings**”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and all Directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 30 June 2023.

The Company has also adopted the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its written guidelines (the “**Employees Written Guidelines**”) in respect of securities dealings by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises five Directors, consisting of two Executive Directors and three Independent Non-executive Directors.

The composition of the Board during the year ended 30 June 2023 and up to the date of this report is set out as follows.

Executive Directors

Mr. Yu Decai
Mr. Hu Mingdai

Independent Non-executive Directors

Dr. Tsoi Chi Chuen Cheney (*Appointed on 20 July 2023*)
Mr. Ng Der Sian
Ms. Zheng Li Ping
Mr. Chen Youchun (*Resigned on 20 July 2023*)

To the best knowledge of the Board, there are no other relationship (including financial, business, family, and other material/relevant relationships) among the members of the Board as of the date of this report.

The biographical information of the Directors are set out in the section headed “Directors and Senior Management Profile” on pages 24 to 28 in this report.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the role of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

Under the current management structure of the Company, Mr. Yu is the Chairman and the Chief Executive Officer. As Mr. Yu has more than 12 years of experience in technologies, media and telecommunications sector, corporate strategic management, project management, investment business and fund management, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to continue to have Mr. Yu acting as both the Chairman and the Chief Executive Officer for effective and efficient planning and implementation of business decisions and strategies. Further, the Company has put in place an appropriate checks and balances mechanism through the Board and three Independent Non-executive Directors. The management of the Company will consult the Board for any major decisions. Therefore, the Board considers that the current structure of vesting rights of the Chairman and the Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances.

Independent Non-executive Directors

During the year ended 30 June 2023, the Board at all times met Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of their independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

The Independent Non-executive Directors are appointed for a specific term of one year commencing from date of appointment and renewable automatically for successive term of one year each commencing from the day following the expiry of the then current term, subject to retirement by rotation and re-election at the forthcoming annual general meeting.

Pursuant to Article 108 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Article 112 of the Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at such annual general meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Board Meetings

The Board meets regularly at least 4 times each year at quarterly intervals and discusses the Group's business development, operations and financial performance. Additional meeting will be convened when considered necessary by the Board. Notice of at least 14 days is given to all Directors for a regular Board meeting so as to give all Directors an opportunity to attend. For all other board meetings, reasonable notice is generally given. Agenda and meeting materials for each meeting are normally circulated to all Directors at least 3 days before each Board meeting in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting.

All Directors have full and timely access to all information and to the advice and services of the Company Secretary and senior management who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. The Directors may, where appropriate, be provided with access to external professional advice in carrying out their obligations as Directors. Each Director is required to make disclosure of his/her interests or potential conflict of interest, if any, in any proposed transactions or issued discussed by the Directors at the Board and Board committees' meetings. Any Director shall not vote on any resolution of the Board and Board committees approving any contract or arrangement or any other proposal in which he/she (or his/her associate) is materially interested nor shall he/she be counted in the quorum present at the meeting.

The Directors use their best endeavor to ensure that minutes of all Board meetings and committees meeting are properly kept by the Company Secretary. All draft minutes of meetings of the Board and the respective Board committees are circulated to all Directors and Board committee members for comments within a reasonable time before submission to the chairmen of the meetings for approval and the final versions are open for inspection by the Directors.

Five Board meetings were held throughout the year ended 30 June 2023. Details of the Directors' attendance record of the Board meetings are set out as follow:

Name of Directors	Attendance/ Number of meetings held
Executive Directors	
Mr. Yu Decai (<i>Chairman and Chief Executive Officer</i>)	5/5
Mr. Hu Mingdai	5/5
Independent Non-executive Directors	
Dr. Tsoi Chi Chuen Cheney (<i>Appointed on 20 July 2023</i>)	N/A
Mr. Ng Der Sian	5/5
Ms. Zheng Li Ping	5/5
Mr. Chen Youchun (<i>Resigned on 20 July 2023</i>)	5/5

The Board is responsible for maintaining an ongoing dialogue with the Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. The Board notes that the Chairman and the chairmen or, in their absence, other members of the Audit Committee, the Nomination Committee and the Remuneration Committee should attend the annual general meeting to answer questions and collect views of the Shareholders.

CORPORATE GOVERNANCE REPORT

Two general meeting was held throughout the year ended 30 June 2023. Details of the Directors' attendance record of the general meetings are set out below:

Name of Directors	Attendance/ Number of meetings held
Executive Directors	
Mr. Yu Decai (<i>Chairman and Chief Executive Officer</i>)	2/2
Mr. Hu Mingdai	2/2
Independent Non-executive Directors	
Dr. Tsoi Chi Chuen Cheney (<i>Appointed on 20 July 2023</i>)	N/A
Mr. Ng Der Sian	2/2
Ms. Zheng Li Ping	2/2
Mr. Chen Youchun (<i>Resigned on 20 July 2023</i>)	2/2

Continuous Professional Development of Directors

All Directors, including Executive Directors and Independent Non-executive Directors, have been reminded to keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. Every newly appointed Director will receive a formal, customized and comprehensive induction training on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Group provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance code. In addition, the Group also provides detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Directors to review and study.

The Directors are committed to complying with the code provision C.1.4 on the Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the year ended 30 June 2023 to the Company. Participation of continuous training of the Directors is as follows:

**Attending
internal
briefings or
trainings,
participating
seminars or
reviewing
materials**

Name of Directors

Executive Directors

Mr. Yu Decai (*Chairman and Chief Executive Officer*)
Mr. Hu Mingdai

✓
✓

Independent Non-executive Directors

Dr. Tsoi Chi Chuen Cheney (*Appointed on 20 July 2023*)
Mr. Ng Der Sian
Ms. Zheng Li Ping
Mr. Chen Youchun (*Resigned on 20 July 2023*)

N/A
✓
✓
✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The list of the Chairman and members of each Board committee is set out under section headed "Corporate Information" on page 2 of this report.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules.

As at the date of this report, the Audit Committee consists of three Independent Non-executive Directors, namely Dr. Tsoi Chi Chuen Cheney, Mr. Ng Der Sian and Ms. Zheng Li Ping. Mr. Ng Der Sian is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the existing external auditor of the Company, Mazars CPA Limited.

CORPORATE GOVERNANCE REPORT

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the code provision D.3.3 and D.3.7 of CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the financial reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control, or other matters of the Group.

Four Audit Committee meetings were held throughout the year ended 30 June 2023. Details of changes of the members and members' attendance record of the Audit Committee meetings are set out as follow:

Name of members	Attendance/ Number of meetings held
Mr. Ng Der Sian (<i>Chairman</i>)	4/4
Dr. Tsoi Chi Chuen Cheney (<i>Appointed on 20 July 2023</i>)	N/A
Ms. Zheng Li Ping	4/4
Mr. Chen Youchun (<i>Resigned on 20 July 2023</i>)	4/4

The summary of the work of the Audit Committee is as follows:

- (i) reviewed the final results and annual report of the Group for the year ended 30 June 2022, the interim results and report for the six months ended 31 December 2022, the quarterly results and reports for the periods ended 30 September 2022 and 31 March 2023 with a recommendation to the Board for approval and monitored the integrity of such consolidated financial statements;
- (ii) reviewed the Group's financing and accounting policies; and
- (iii) reviewed and recommended appointment of external auditor, improvements on the Group's internal and compliance control system and risk management functions.

On 22 September 2023, the Group's results for the year ended 30 June 2023 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee has written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. As at the date of this report, the Remuneration Committee consists of three members, namely Dr. Tsoi Chi Chuen Cheney, Mr. Ng Der Sian and Mr. Yu Decai. Dr. Tsoi Chi Chuen Cheney is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the code provision E.1.2 of the CG Code. The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

One Remuneration Committee meeting was held throughout the year ended 30 June 2023. Details of changes of the members and members' attendance record of the Remuneration Committee meetings are set out as follow:

Name of members	Attendance/ Number of meetings held
Dr. Tsoi Chi Chuen Cheney (<i>Chairman</i>) (<i>Appointed on 20 July 2023</i>)	N/A
Mr. Ng Der Sian	1/1
Mr. Yu Decai	1/1
Mr. Chen Youchun (<i>Chairman</i>) (<i>Resigned on 20 July 2023</i>)	1/1

The summary of the work of the Remuneration Committee is as follows:

- (i) made recommendations to the Board on the Company's remuneration policy of Directors and senior management;
- (ii) reviewed the remuneration packages of Directors and senior management in relation to the performance and financial position of the Company; and
- (iii) made recommendations to the Board on the remuneration of Independent Non-executive Directors.

Remuneration of Directors and senior management

Particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Rule 18.30 of the GEM Listing Rules are set out in Notes 9 and 10 to the consolidated financial statements. Pursuant to code provision E.1.5 of the CG Code, the remuneration of Directors and the members of senior management by band for the year ended 30 June 2023 is set out below:

Remuneration Band	Number of Directors and the members of senior management
Nil to HK\$1,000,000	7
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	1

Nomination Committee

The Nomination Committee, has written terms of reference in compliance with the CG Code. As at the date of this report, the Nomination Committee consists of three members, namely Mr. Ng Der Sian, Mr. Yu Decai and Ms. Zheng Li Ping. Ms. Zheng Li Ping is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the code provision B.3.1 of the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee will take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee will consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

One Nomination Committee meeting was held throughout the year ended 30 June 2023. Details of members' attendance record of the Nomination Committee meetings are set out as follow:

Name of members	Attendance/ Number of meetings held
Ms. Zheng Li Ping (<i>Chairman</i>)	1/1
Mr. Ng Der Sian	1/1
Mr. Yu Decai	1/1

The summary of the work of the Nomination Committee is as follows:

- (i) reviewed the structure, size and composition of the Board;
- (ii) assessed the independence of the Independent Non-executive Directors;
- (iii) made recommendations on the retiring Directors at the annual general meeting of the Company; and
- (iv) considered the candidate's integrity, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve the Board diversity on selection of candidates for directorship of the Company.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and considers increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, experience, expertise, qualifications, skills and knowledge as well as length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

CORPORATE GOVERNANCE REPORT

Measurable objectives include (i) at least one third of the Board shall be Independent Non-executive Directors; (ii) at least one Director is female; and (iii) at least one Director shall have obtained accounting or other professional qualifications. For the year ended 30 June 2023, all measurable objectives have been fulfilled. As at 30 June 2023, the Group had 146 employees (2022: 115) (including Executive Directors) in total comprising of 41 females and 105 males (2022: 38 females and 77 males), that is, a female-to-male ratio of approximately 0.4:1 (2022: approximately 0.5:1). We will continue with our endeavor to increase female representation in our workforce in order to achieve gender equality in the Group.

The Board and the Nomination Committee review the measurable objectives to ensure their appropriateness and continued effectiveness on a regular basis.

In determining the independence of Directors, the Board follows the requirements as set out in the GEM Listing Rules.

The Nomination Committee reviews the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

As at the date of this report, the Board comprises four male Directors and one female Director. The following tables illustrate the diversity other than gender diversity of the Directors:

Name of Directors	Age Group		
	41 to 45	46 to 50	51 to 55
Mr. Yu Decai		✓	
Mr. Hu Mingdai	✓		
Dr. Tsoi Chi Chuen Cheney		✓	
Mr. Ng Der Sian			✓
Ms. Zheng Li Ping		✓	

Name of Directors	Professional Experience			
	Information Technology and Telecommunication	Accounting and Finance	Blockchain Technology	Investment and Fund Management
Mr. Yu Decai	✓			✓
Mr. Hu Mingdai				✓
Dr. Tsoi Chi Chuen Cheney			✓	
Mr. Ng Der Sian		✓		✓
Ms. Zheng Li Ping		✓		

The Board has also reviewed and considered that the following mechanisms are effective during the year ended 30 June 2023 in ensuring that independent views and input are provided to the Board:

- (i) Long serving Independent Non-executive Directors (i.e. Independent Non-executive Directors serving more than nine years) to be eligible for nomination by the Board to stand for re-election by the Shareholders;
- (ii) Independent Non-executive Directors receive fixed fee(s) for their role as members of the Board and the Board committee(s) as appropriate;
- (iii) In assessing suitability of the candidates, review their profiles based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background or professional experience;
- (iv) The Board reviews each of the Director's time commitment to the Group's business annually;
- (v) Independent Non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration;
- (vi) The Company adopts the Model Code as the Code of Conduct and provides guidance to Directors and committee members of the Company on avoiding conflicts of interest and on the circumstances under which appropriate action(s) shall be taken by the Director in conflict; and
- (vii) To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the Group's expense.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director nomination policy (the “**Director Nomination Policy**”) which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

CORPORATE GOVERNANCE REPORT

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Accomplishment and experience in the business in which the Group is engaged in;
- Qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the GEM Listing Rules;
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company;
- The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;
- Number of existing directorships and other commitments that may demand the attention of the candidate; and
- Such other perspectives appropriate to the Company's business.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. Where vacancies exist at the Board, candidates will be proposed and their biographical background will be put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval based on the selection criteria set out above.

Dividend Policy

The Company has adopted a dividend policy (the “**Dividend Policy**”) which sets out the approach to maintain a balance between meeting shareholders’ expectations and prudent capital management with a sustainable dividend policy. The Company does not have any pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of the Board. Any declaration of final dividend by the Company shall also be subject to the approval of the Shareholders in a Shareholders’ meeting.

The Directors may recommend a payment of dividends in the future after taking into account the Group’s operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders’ interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Articles of Association, any applicable laws and regulations, including the Cayman Companies Act. Historical dividend distributions are not indicative of the future dividend distribution. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group’s operations.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code, which includes (i) to develop and review the policies and practice on corporate governance of the Group and make recommendations; (ii) to review and monitor the training and continuous professional development of the Directors and senior management; (iii) to review and monitor the Group’s policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees; and (v) to review the Company’s compliance with the CG Code and disclosure in the corporate governance report of the Company.

During the year ended 30 June 2023, the Board has reviewed the Company’s corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance of the Required Standard of Dealings and Employees Written Guidelines, and the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICIES

To maintain a fair, ethical and efficient working environment, during the year ended 30 June 2023, the Group has adopted anti-bribery and anti-corruption policy (the “**Anti-Corruption Policy**”) to ensure that all employees abided by the applicable laws and regulations relating to anti-corruption and bribery, irrespective of the region in which the Group operates, including the Malaysian Anti-Corruption Commission Act 2009 (Malaysia), Anti-Money Laundering Law of the PRC, Supervision Law of the PRC and Criminal Law of the PRC, where applicable, as well as our internal policies on the prevention of corruption.

The Group has also adopted a whistleblowing policy (the “**Whistleblowing Policy**”) to encourage reporting of bribery, extortion, fraud and money laundering, under which all employees have a responsibility to report to their supervisor or senior management any suspected violations, malpractice or impropriety within the Group.

Details of implementation of the Anti-Corruption Policy and the Whistleblowing Policy are set out in the section headed “Environmental, Social and Governance Report” on pages 86 to 87 in this report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company’s strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company's risk management and internal control systems have been developed with the following features and processes:

- (a) The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification: Identify risks that may potentially affect the Group's business and operations.

Risk Assessment: Assess the risks identified by using the assessment criteria developed by the management; and considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response: Prioritise the risks by comparing the results of the risk assessment; and determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting: Perform ongoing and periodic monitoring of the risk and ensure that appropriate internal control processes are in place; revise the risk management strategies and internal control processes in case of any significant change of situation; and report the results of risk monitoring to the management and the Board regularly.

- (b) The main features of the risk management and internal control systems are summarised as follows:

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; ensure that unauthorized access and use of inside information are strictly prohibited; and to provide reasonable assurance against material misstatement, loss or fraud.

The Group has an internal audit function which conducts review on adequacy and effectiveness of the risk management and internal control systems of the Group. Such review is conducted annually and cycles reviewed are under rotation basis. During the year ended 30 June 2023, the Company engaged an external independent internal audit consultant to conduct a review of the effectiveness of the risk management and internal control systems of the Group. Management has reported findings and areas for improvement to the Audit Committee and the Board. The Board and the Audit Committee are of the view that there are no material internal control defects noted. All recommendations suggested are properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee therefore considered that the Group's risk management and internal control systems are effective and adequate. The Board also is satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

The Company has developed its information disclosure policy which provides guidelines and procedures to the Company’s Directors, senior management and employees in evaluating and handling confidential information, monitoring information disclosure, handling market rumors, leakage of information and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Group has in place a restriction-to-access mechanism to ensure that inside information is restricted to authorised persons on a need-to-know basis in accordance with the nature of transactions.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 30 June 2023 which reflect a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor’s Report on pages 95 to 100 of this report.

AUDITOR’S STATEMENT AND REMUNERATION

A statement by the Group’s auditor on their reporting obligations in respect of the Group’s financial statements for the year ended 30 June 2023 is set out in section headed “Independent Auditor’s Report” on pages 95 to 100 of this report.

For the year ended 30 June 2023 and 2022, the remuneration paid or payable to Mazars CPA Limited is set out below:

	2023 HK\$’000	2022 HK\$’000 (restated)
Categories of Services		
Audit services	1,152	970
Non-audit services	–	98
	1,152	1,068

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company’s external auditor for annual audit services is reasonable. There has been no major disagreement between the auditor and the management of the Company during the year ended 30 June 2023.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services. Ms. Wong Po Lam has been appointed by the Board as the Company Secretary with effect from 1 January 2021. The biographical details of Ms. Wong are set out under the section headed “Directors and Senior Management Profile” on page 28 of this report. Ms. Wong is not an employee of the Group and she is responsible for advisory to the Group on corporate governance matters. Mr. Yu, Executive Director, is the person who Ms. Wong can contact for the purpose of code provision C.6.1 of the Code.

Ms. Wong confirmed that she has complied with Rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of relevant professional training during the year ended 30 June 2023.

COMPLIANCE OFFICER

Pursuant to the code provision 5.19 of the GEM Listing Rules, the Company must ensure that, at all times, one of its Executive Directors assumes responsibility for acting as the Company’s Compliance Officer. Mr. Yu, the Executive Director, has been appointed as the Compliance Officer with effect from 20 May 2022. Mr. Yu’s biographical details are disclosed in the section headed “Directors and Senior Management Profile” on page 24 of this report.

SHAREHOLDERS’ RIGHTS

The Company engages with the Shareholders through various communication channels.

To safeguard the Shareholder’s interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. An extraordinary general meeting shall also be convened on the requisition of one or more Shareholder(s) holding, at the date of deposit of the requisition, a minority stake in the total number of issued Shares, and the minimum stake required to do this shall not be higher than 10% of the voting rights (on a one vote per Share basis) in the issued share capital of the Company. Such Shareholder(s) shall also be entitled to add resolutions to the agenda for the extraordinary general meeting concerned. Any requisition referred to in the second sentence of this article must be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at Annual General Meetings

There is no provision allowing Shareholders to move new resolutions at general meeting under the Cayman Islands Companies Act or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries and concerns to the Directors and management of the Company by mail to the Company's principal place of business in Hong Kong at Room 1910, 19/F, C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong.

INVESTOR RELATIONS

In order to ensure timely, transparent and accurate communications between the Shareholders and the Company, in general, information is communicated to the Shareholders mainly through the Company's quarterly reports, interim reports and annual reports, general meetings, as well as the corporate communications and publications published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.metamichong.com).

The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. The Shareholders are encouraged to participate in general meetings in person or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.

Board members, in particular, the chairman of the Board Committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions.

During the year ended 30 June 2023, the Board was satisfied with the effectiveness of communication with the Shareholders. The Board will continuously to review the communication policies with the Shareholders to ensure their appropriateness and continued effectiveness on a regular basis.

CONSTITUTIONAL DOCUMENTS

On 17 June 2022, the amendments of the Articles of Association have been approved in the extraordinary general meeting of the Company. Details of the amendments of the Articles of Association have been set out in the announcements of the Company dated 27 May 2022 and the circular of the Company dated 1 June 2022. The amended Articles of Association dated 17 June 2022 is available on the Company's website at www.metamichong.com and the Stock Exchange's website.

On behalf of the Board

Yu Decai

Chairman and Chief Executive Officer

Hong Kong, 22 September 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

This Environmental, Social and Governance Report (the “**ESG Report**”) covers the sustainability policies and performance of Michong Metaverse (China) Holdings Group Limited from 1 July 2022 to 30 June 2023 (the “**Reporting Period**”). It focuses on the environmental, social and governance (“**ESG**”) performance and practice across our offices and server rooms in Malaysia and the PRC, covering (i) network support services, (ii) network connectivity services; and (iii) E-Commerce. This ESG Report follows the disclosure framework stated in the Appendix 20 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited, the *Environmental, Social and Governance Reporting Guide* (the “**HKEx ESG Reporting Guide**”).

All the data and information cited in this ESG Report are from internal archived documents and records. For a more precise disclosure relevant to the environmental performance, a carbon emission assessment was conducted by an external professional party, which at the same time can help to enhance the ESG Report’s credibility and objectivity.

The Board is well noted with the ESG Report’s contents and understand its responsibility towards the publication of the ESG Report. If you have any feedback towards this ESG Report or the Company’s overall sustainability performance, please email to contact@metamichong.com directly, or via the ways stated below. Your opinions are important for our sustainable improvement and contemporary advancement.

Address: Room 1910, 19/F, C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong
Mailbox: contact@metamichong.com

MESSAGE FROM THE BOARD

The Company is pleased to present this ESG report to provide an overview of the Group's management of ESG performances. The Board takes responsibility to ensure that the Company's operation and development meet the expectations and interests of both internal and external stakeholders, such as our employees, Shareholders, customers and suppliers. We believe that the feedback from stakeholders are the foundation of improvements and driver to the Company's future development. To be responsive, the Board is committed to generate and realise long-term values for the stakeholders by improving the Company's sustainability performances.

Although we have not yet established a sustainability committee to oversee the Company's sustainability development, the Board is responsible for all the decisions made on any significant issues relevant to environment, society and corporate governance, which are always premised on the compliance with the legal and regulatory requirements. Through the process of publishing this ESG Report, it helps the Board to identify the risks relevant to sustainability, and thus enhances the determination of appropriate and practical sustainability policies for implementation.

To ensure the effectiveness of the implementation of ESG policies within the Group, the Board takes the lead and assumes the overall responsibility of the Group's ESG issues, including policy formulation, practice monitoring, target tracking and ESG reporting. With the application of the ESG management approach and strategy, the Board has garnered an in-depth understanding of the latest ESG development in the Group while allowing all employees to maintain sound communication with the management in the execution of business policies. Together with the outcome of the annual materiality assessment through ongoing stakeholder engagement, the Board can identify the serious challenges raised by its key stakeholders on the sustainable development of the Group and make appropriate decisions and plans for business development by putting more efforts on the topics that are believed to be relevant, urgent and important to the Group's long-term competitiveness in the industry.

In this ESG Report, the Company's ESG performances are disclosed to demonstrate how we balance the needs of business development and sustainable development in the past financial year. Besides, relevant policies, risks management mechanism and internal monitoring system are also disclosed to show how we implement the concept of sustainability into our daily operation. We sincerely hope that our efforts devoted in the Company's sustainability development can satisfy the stakeholders' expectations and benefit them in the long run.

We, the Board of Directors, have approved the content of this ESG Report on 22 September 2023. We are committed to keep improving our ESG performance and disclosure and look forward to hearing your comments for future improvement.

The Board of Directors

22 September 2023

COMMUNICATION WITH STAKEHOLDERS AND IDENTIFICATION OF MATERIAL ISSUES

Stakeholder engagement is the process through which we stay connected with all stakeholders. During the Reporting Period, the Company has close communication with different stakeholders via various channels. We believe that the effective engagement of all stakeholders is integral to the development of our sustainability strategy and is also a prerequisite for our long-term sustainable growth.

Through the communication process, the most influential and material issues of concern can be identified, which gives the Company the best references to continuously improve ESG performance. The identification of issues of concern allows the Company to understand more on the impacts of its daily operation in different aspects.

The table below sets out our main communication channels with the Group's major stakeholders and their probable issues of concern on the Group's operation:

Major Stakeholders	Communication channel	Issues of concern
Community	<ul style="list-style-type: none"> - Community activities - Volunteering 	<ul style="list-style-type: none"> - Community environment, employment - Community development - Social responsibilities
Customers	<ul style="list-style-type: none"> - Advertisement - Marketing events - Company website - Regular meetings - Email - Phone communications 	<ul style="list-style-type: none"> - Safe and high-quality products/services - Business ethics - Information transparency - Intelligent protection
Employees	<ul style="list-style-type: none"> - Daily communication - Performance appraisal - Training - Staff handbook 	<ul style="list-style-type: none"> - Safe and healthy working environment - Rights and benefits - Training and development - Career development opportunities
Government/Market Regulators	<ul style="list-style-type: none"> - On-site inspections and checks - Industry collaboration 	<ul style="list-style-type: none"> - Compliance with laws and regulations - Proper tax payment - Social responsibility
Peers	<ul style="list-style-type: none"> - Industry conferences - Site visits 	<ul style="list-style-type: none"> - Experience sharing and cooperation - Fair competition
Shareholders/Investors	<ul style="list-style-type: none"> - Annual general meeting and other shareholder meeting - Information disclosure on the Stock Exchange's and the Company's websites - Mail and phone communications 	<ul style="list-style-type: none"> - Return on the investment - Information disclosure and transparency - Business strategies and performance - Corporate governance system

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Stakeholders	Communication channel	Issues of concern
Suppliers	<ul style="list-style-type: none">- Supplier procurement procedures- Annual evaluation- Regular meeting	<ul style="list-style-type: none">- Long-term partnership- Payment schedule- Stable demand

REPORTING PRINCIPLES

During the preparation process, the Group adheres to the fundamental reporting principles, namely materiality, quantitative, balance and consistency, outlined in the Hong Kong Exchanges and Clearing Limited (“**HKEx**”) ESG Reporting Guide.

Materiality

We performed a materiality review based on peer review and stakeholder engagement process that determined the material ESG aspects to us and guided the focus of this ESG Report.

Quantitative

All of the disclosed information, statistics of environmental and social key performance indicators (“**KPIs**”) in particular, are organised and calculated according to a series of standardised methodologies.

Balance

The Board had reviewed the ESG Report and confirmed that the ESG Report had not omitted any information related to material ESG topics. This ESG Report had been prepared without bias.

Consistency

We adopted consistent environmental and social data treatment approach to allow a fair comparison of our environmental and social performance over time.

OVERALL PERFORMANCE

New challenges in environmental protection, corporate management, social relations, and other aspects arose in various industries from time to time. To be a responsible enterprise showing care to the environment and society, we need to continuously improve our existing policies and encourage creativeness from our employees to explore more solutions for new challenges. During the Reporting Period, the Company has implemented various measures and policies in the ESG aspects.

- *Environmental Protection Measures*

A1. Emissions

The Group adheres to good environmental management, striving to protect the environment to fulfil its corporate social responsibility. The Group's environmental policy encompasses our general approach towards controlling environmental impacts of our business operation. The Group's operations have no direct significant adverse impact on the environment and natural resources. The main business of the Group does not involve production process and has no known significant adverse impact on the environment and natural resources.

With concerns over the negative impact of business operations on the environment, the Group strives to reduce the adverse environmental impact by raising the employees' environmental awareness and implementing energy-saving and emission reduction measures. With respect to compliance, the Group's operating locations in Malaysia and the PRC have fully complied with the relevant environmental laws and regulations in its respective country in its daily operations, which primarily include:

- Laws of Malaysia Energy Commission Act 2001 (Malaysia);
- Laws of Environmental Quality Act 1974 (Malaysia);
- Environmental Protection Law of the PRC;
- Air Pollution Prevention and Control Law of the PRC;
- Prevention and Control of Environmental Pollution by Solid Wastes of the PRC; and
- Water Pollution Prevention and Control Law of the PRC.

During the Reporting Period, the Group is not aware of any material non-compliance of environmental laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant negative impact on the Group.

As the Group does not involve in business activities with heavy use of fossil fuel, the Directors consider that air emissions including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and other pollutants are not material to our operations and therefore this aspect is not sufficiently material to be reported. The principal emissions from the Group are greenhouse gas ("GHG") emissions, details are summarised in the table below.

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Activity	2023		2022	
	tCO ₂ e	%	tCO ₂ e	%
Scope 1 Direct Emissions				
Mobile Combustion	113.19	30.0%	114.65	34.2%
Fugitive Emissions	180.90	47.9%	180.90	54.0%
	294.09	77.9%	295.55	88.2%
Scope 2 Energy Indirect Emissions				
Electricity Purchased*	83.71	22.1%	39.74	11.8%
Total GHG Emissions	377.80	100%	335.29	100%
Intensity (tCO₂e per floor area (sq ft))				
Malaysia	0.04	–	0.04	–
The PRC	0.004	–	0.001	–

* Increase in tCO₂e was due to the exploration of market in the PRC from the year ended 30 June 2022.

According to the result of a carbon assessment, emissions from Scope 1, which are the emissions from direct combustions, contributed the most to the overall GHG emissions. This was mainly caused by the emissions generated from vehicles used by (i) our technicians travelling to the customers' premises; (ii) business travelling by our employees; and (iii) and the fire extinguishing systems FM200 used in our offices and server rooms.

In addition, we have also implemented several energy-saving measures based on actual situations to further reduce the negative environmental impact of our operations. Measures adopted by the Group to mitigate the direct GHG emissions in our operations include (i) maintaining vehicles and equipment to prevent inefficient fuel consumption or abnormal operations; and (ii) encouraging staff to switch off electrical appliances when not in use to save electricity. As the Directors consider that our emissions are not material to our business operations, the Group has not yet set any emission targets.

The Group does not involve in production of hazardous wastes and the amount of non-hazardous wastes is insignificant during the Reporting Period. The Group encourages employees to participate in waste reduction management to achieve the objectives in mitigating wastes by the use of electronic communication such as e-mail and to encourage our staff to adopt green practices such as use of recycled paper. The Group will continue to strive for reducing our waste and hence further reduce the negative impact on the environment.

As our business does not involve a significant usage of water and production of hazardous or non-hazardous wastes, the water consumption and waste management policies and data will not be further disclosed in this section.

A2. *Use of Resources*

We preserve the resource and strive to minimize our footprint in consuming resources in our business operations. The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of our business operations. During our operations, the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of resources. The resources consumed by the Group comprise mainly electricity, gasoline, water and paper. Given the nature of its business, the Group did not consume any packaging material during the Reporting Period. The Group's major resource consumption during the Reporting Period is summarised in the table below.

Resource Consumption

	2023		2022	
	Amount	Intensity	Amount	Intensity
Electricity Consumption				
Malaysia	87,463 kWh	9.77 kWh per floor area (sq ft)	84,291 kWh	9.42 kWh per floor area (sq ft)
The PRC	138,052 kWh	10.29 kWh per floor area (sq ft)	22,816 kWh	1.70 kWh per floor area (sq ft)
Diesel Consumption	-	-	-	-
Gasoline Consumption				
Malaysia	69,585L	7.77L per floor area (sq ft)	46,572L	5.20L per floor area (sq ft)
The PRC	-	-	-	-
LPG/Natural Gas Consumption	-	-	-	-

Note: No data of water consumption is disclosed as water consumption is not material to our operation and collection of relevant data is not available. Beside, no data of paper consumption is disclosed as collection of relevant data is not available.

Electricity

The Group purchases electricity from the local public utilities for its daily operations in the offices. To further mitigate the consumption of electricity so as to diminish its GHG emissions, the Group has promoted the slogan of 'Saving Electricity' in its daily operations, and in particular implemented the following practices:

- switch off all idle lights and air conditioners;
- maintain the electrical equipment in the offices (including air conditioners and paper shredders) on a regular basis to keep their high efficiency;
- adjust the set temperature of air conditioners at offices appropriately;
- consider the energy-efficiency of electrical appliances during procurement, such as the purchase of equipment with Grade 1 energy label;
- use LED bulbs for office lighting instead of energy-intensive lamps in the offices; and
- encourage all employees to keep the curtains open and utilise natural sunlight in the offices when possible.

Gasoline

Gasoline is mainly consumed for business transportation and the Group has laid great emphasis on the control of gasoline consumption during daily operations. Specifically, the Group has always been committed to optimising its management of business trips by setting up and implementing strict internal policies in the fleet control, and believes that ensuring its access to more eco-friendly energy sources is the key to the mitigation of the Group's negative environmental impact and the long-term stability of the Group's business.

In addition to the promotion of energy conservation through education among its employees, the Group has particularly focused its efforts on the selection of environmentally-friendly vehicles for transportation, keeps encouraging all its employees to choose public transport instead of private cars for business trips and endeavours to reduce the non-essential business trips by utilising advanced technologies such as online conference, in order to move toward 'low carbon and low consumption' business models.

Water

Since the Group's business activities do not consume a significant amount of water, the Directors consider that water consumption is not material to our operation and is not sufficiently material to be reported. During the Reporting Period, the Group did not face any problem in sourcing water. The Group continues to delve into more advanced and effective ways of water conservation in the offices, and strongly advocates the importance of saving water to the global sustainable development. To improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- fix dripping taps immediately once leakage is found;
- remind staff to turn off water taps after use through emails and notices; and
- place "saving water resources" posters in prominent places at the offices to encourage water conservation.

Paper

The Group is dedicated to saving paper in its offices by promoting the concept of 'paperless office' and has encouraged our staff to adopt green practices such as use of recycled paper. Other measures taken by the Group to save paper are highlighted below:

- promote the concept of 'paperless office', and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- set double-sided printing as the default mode for most network printers when printouts are needed;
- promote the idea of "Think before print" by using posters and stickers in offices to remind the staff of avoiding unnecessary printings;
- place boxes and trays as containers beside photocopiers to collect single-sided paper for reuse;
- reuse the paper-made office stationery such as envelopes and folders; and
- use the back of old single-sided documents for printing or as draft paper.

Through the above policies and measures on mitigating use of resources, the Group has reduced the usage of resources in our business operation to a large extent.

The Group always aims to build a better society by creating long-term values to all the stakeholders and reducing our negative impacts to the environment. We adhere to our social responsibilities as a technology company, actively engage in public welfare undertakings, and fulfil our corporate social responsibilities with practical actions to contribute to the development of the industry.

A3. *The Environment and Natural Resources*

Regarding the business operations of the Group, the adverse environmental impact of business operations of the Group is minimal. The Group is not aware of any significant negative impacts of our activities on the environment and nature resources. As a responsible enterprise, it has been part of the management's policy of the Group to show exemplary environmental responsibilities by operating businesses in a manner consistent with best eco-friendly practices. The Group aims to save natural resources by enhancing the awareness among employees and reviewing the efficiency of our business operations regularly. With the integration of policy and measures mentioned in the section headed "Use of Resources", the Group strives to minimise the adverse impacts of our business operations on the environment and natural resources.

A4. *Climate Change*

Global warming has been one of the utmost concerned issues in recent years. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences.

To minimise life, property and financial losses, precautionary measures on flexible working arrangement have been taken by the Group under different extreme weather scenarios of typhoon and flooding. To reduce emissions and energy consumption, the Group has implemented various environmental protection measures. Please refer to sections of "A1. Emissions" on pages 69 to 70 and "A2. Use of Resources" on pages 71 to 73 of this ESG Report.

Though climate change and abovesaid extreme weather conditions do not directly impose significant threat to the Group's business operations, the effects of global climate change harm the wellbeing and stability of countries and people on earth. However, we will continue to monitor the climate-related risks and implement relevant measures to minimise the potential impact of climate change.

- *Employment and Labour Practices*

B1. *Employment*

We always believe that employees are the foundation of the Group's sustainable development. Only happy and loyal employees will bring us the growth momentum to our development and create more long-term values. Therefore, we have established comprehensive and delicate employment policies and employee benefits to maintain both the quality and loyalty of our team.

The Group's employment policies have been updated and adjusted to cater for social changes and to abide by the applicable laws, regulations and standards in Malaysia and the PRC. For the Reporting Period, the Group has complied with all the relevant laws and regulations, which primarily include:

- Employment Act 1955 (*Amendment 2023*) (Malaysia);
- Employees Provident Fund Act 1991 (Malaysia);

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- Employees Social Security Act 1969 (Malaysia);
- Employment Insurance System Act 2017 (Malaysia);
- Labour Law of the PRC; and
- Labour Contract Law of the PRC.

For the Reporting Period, the Group has complied with the relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

As at 30 June 2023, the Group had 146 employees (including Executive Directors) (2022: 115). Below is the detailed breakdown of the number of employees by gender, age group, employment type, and geographical region.

		2023	2022
Total number of employees of the Group		146	115
Gender	Male	105	77
	Female	41	38
Age	<18	0	0
	18-24	18	8
	25-40	108	89
	41-59	18	16
	60 or above	2	2
Employment Type	Full-time	139	110
	Part-time	7	5
Geographical Region	Malaysia	54	71
	The PRC	92	44

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The employee turnover rate during the Reporting Period by gender, age group, employment type and geographical region are as follows:

Employee turnover rate		2023	2022
Overall		37%	33%
Gender	Male	26%	22%
	Female	11%	11%
Age	<18	0%	0%
	18-24	2%	3%
	25-40	34%	28%
	41-59	1%	2%
	60 or above	0%	0%
Employment type	Full-time	35%	33%
	Part-time	2%	0%
Geographical region	Malaysia	22%	14%
	The PRC	15%	19%

Recruitment and promotion

The Group has adopted a set of transparent policies and procedures to conduct its annual recruitment plans. The Group considers talent acquisition is essential in maintaining our energy and competitiveness in the market. According to its recruitment policy and procedures, the Group offers fair and competitive remuneration and benefits in accordance with the applicants' educational backgrounds, personal attributes, job experiences and career aspirations to attract high-calibre candidates. The Group also refers to market benchmarks in relation to staff promotion and provides equal opportunities for promotion and development for eligible employees who have shown outstanding performance and potential in their positions. Any promotion within the Group is based on clear and legitimate procedures.

The recruitment, employment, training, promotion and benefit policies of the Group do not take into account personal factors of the individual, such as race, nationality, religious beliefs, gender, age or marital status, unless the applicant or employee is not allowed to be employed under the laws of the country, such as under 18 years old. Otherwise, accommodating the business needs of the Group is the utmost criteria in recruitment.

The Group's human resources department (the "**HR Department**") in respective region is responsible for all the recruiting and talent development issues. After posting the job vacancies to the public, all the candidates would be shortlisted and interviewed by the managers of the relevant departments. The managers should perform background searches of the candidates, including the verification of academic and professional qualifications, proof of residency and employment history, to ensure the quality of the candidates, while the HR Department should assist to verify all the relevant information. For all the suitable candidates, an employment contract would be provided to each of them with all the rights and responsibility specified.

Compensation and dismissal

The Group periodically reviews its remuneration packages and performs the probationary and regular evaluations on the capability and performance of its employees, to ensure that all employees can be recognised and rewarded by the Group appropriately with respect to their efforts and contributions. Adjustment of compensation and termination of employment are determined by a number of factors, such as the performance appraisal of employees against well-defined KPIs and the internal policies of the Group. Since the Group strictly prohibits any kind of unfair or illegitimate dismissal, stringent policies regulating the procedures of dismissal of employees are in place for employee management. In particular, for employees who have violated the Group’s employment policies, the Group will warn them verbally before issuing a warning letter. For employees who repeat the same mistakes repeatedly notwithstanding any prior warnings, the Group will terminate their employment contracts immediately in accordance with the applicable laws and regulations in Malaysia and the PRC.

When either the Group or employees want to terminate the employment contract, both need to give the other party a reasonable notice period or payment in lieu of notice. A handover checklist will be prepared by the HR Department for the employees as reference to ensure the return of the company’s properties and the termination of all user accounts.

Working hours and rest periods

Maintaining a proper balance between work and leisure can effectively help employees to relax while, in return, enhancing the productivity of the Group. As such, the Group has formulated relevant policies and systems in compliance with the applicable employment laws to determine the working hours and rest periods for its employees. In addition to basic annual leave and statutory holidays, all the employees are entitled to apply for paid leaves when they need to. They are eligible for 5 to 21 days of annual leaves according to their servicing periods with the Group. They are also eligible for paid sick leaves with certificates issued by recognised medial practitioners. Medical allowance has been provided to all the employees who will be reimbursed medical expenses on presentation of medical proof. Besides, marital leave, maternity and paternity leaves are provided to encourage the employees to fulfil their other roles in life.

Paid Leaves	Days Allowed
Marital leave	3-5 days
Maternity leave	98-128 days commencing from the day of birth
Medical leave	12-22 days
Paternity leave	5-15 days commencing from the day of birth
Bereavement leave	1-3 days

Employee Welfares and Benefits

The purpose of the Group’s remuneration policy is to attract, retain and motivate outstanding employees. Through annual appraisals, employees with excellent performance are encouraged to keep up with their good work, while employees who fail to meet performance standards are advised to improve themselves to maintain a high quality and efficient corporate culture.

As required by the relevant law, the Group ensures that all the staff are covered by different public schemes to protect and help the employees who are in urgent needs:

- **Mandatory Employee Provident Fund:** a saving plan for staff retirement; not only functions as a retirement fund, but also a multi-purpose savings fund that allows withdrawals for house financing, education, and medical expenses
- **Social Security Organisation:** provides aids to employees who suffer from work-related injury
- **Employment Insurance Scheme:** helps employees who become unemployed

Equal opportunity, diversity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. Specifically, hiring, training, promotion opportunities, dismissal and retirement policies are all based on factors irrespective of the applicants' or the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors. Meanwhile, in accordance with the applicable local laws and regulations, the Group's equal opportunity policy allows zero tolerance to any workplace discrimination, harassment or vilification. Employees are vigorously encouraged to report any incidents involving discrimination to the HR Department, which takes the responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions in relation to the substantiated cases.

B2. Health and safety

Health and safety at work involves both the prevention of harm and the promotion of employees' well-being at the workplace. To provide and maintain a safe, clean and environmentally friendly working condition for its employees, the Group has established strict safety and health policies in line with the relevant laws and regulations in Malaysia and the PRC, which primarily include the Occupational Safety and Health Act 1994 (OSHA) (Malaysia) and the Law of the PRC on Prevention and treatment of Occupational Diseases.

In addition, the Group has established internal policies that regulate the daily practice to prevent occupational hazards and risks in the workplace. During the Reporting Period, the Group has complied with the relevant laws and regulations in relation to the provision of a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

The Group is not aware of any cases of work-related injuries or deaths fatalities among employees in the Group during the past three financial years (including the Reporting Period). The Group pledges to maintain a safe and healthy workplace for all employees. In addition to complying with the local safety regulations of its places of operation, the Group will also remove known safety hazards in a reasonable manner. In order to maintain a good working environment and ensure safety in the office area, smoking is strictly prohibited in all office areas.

Up to the lifting of anti-pandemic measures by governments, the Group mandatorily implemented anti-pandemic measures in offices, suspended all non-essential business activities and arranged employees to work from their places of residence so as to prevent the spreading of COVID-19 pandemic at workplace in accordance with anti-pandemic measures in Malaysia and the PRC. Staff who work in the office have to follow the following precautions:

1. Access control and daily temperature checks – no access to the office will be granted to anyone exhibiting symptoms of COVID-19;
2. Mandatory to wear mask in the office;
3. Maintain social distance with everyone in the office; and
4. Prohibit face-to-face meetings at the office.

B3. Development and Training

As a responsible employer, the Group has the responsibility to provide employees with various training and development opportunities to ensure that they can excel in their appointed positions. Thus, the Group systematically assists employees to improve their business capabilities and strengthen their knowledge in management theories, so that they can obtain comprehensive training and practical experience with a view to improving their working abilities.

The head of administrative & human resources (“**HOHR**”) is responsible for organising and monitoring the ongoing trainings of all Directors and new employees. For new employees, induction training will be provided by their head of department; while for all other employees, on-the-job training will be given on an ongoing basis. The trainings provided cover a variety of aspects including but not limited to business operation, such as intellectual property, media law and the job function of different position. For other professional training related to the job function of the employee, it will be taken on a voluntary basis via the human resources development fund of the Group.

With all the training provided, we look forward to the personal development of the employees and will further enable their talent development by providing them with more opportunities at work. Employees with outstanding performance will be nominated by the respective head of department for promotions. To evaluate the employees’ performance, performance appraisals are conducted annually to assist the management and employees in a communication process to focus on the objectives and achievements of the employees.

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Below is the detailed breakdown of the training data of employees by gender and employment category during the Reporting Period.

Percentage of employees trained		76%
Gender	Male	53%
	Female	23%
Employment category	Senior management	1%
	Middle management	10%
	General staff	65%

Total number of training hours		585
Gender	Male	359
	Female	226
Employment category	Senior management	24
	Middle management	168
	General staff	393

Average number of training hours		4
Gender	Male	4
	Female	5
Employment category	Senior management	24
	Middle management	8
	General staff	3

B4. Labour Standards

The Group abided by the Employment Act 1955 (*Amendment 2023*) (Malaysia), the Law of the PRC on the Protection of Minors and Provisions on the Prohibition of Using Child Labor in respective country and other applicable labour laws and regulations in Malaysia and the PRC in relation to the prevention of child and forced labour employment. To avoid the employment of child labour, the Group checks and verifies the identity cards or other identification documents of the candidates in the course of recruitment. The Group fully carries out the labour contracts and relevant well-established internal labour policies, under which a transparent system and corresponding reporting channels are in place to ensure no unfair labour practice is adopted. Once the Group finds any case against labour standards, the employment will be immediately terminated, while the responsible personnel will be disciplined accordingly.

During the Reporting Period, the Group has strictly complied with the relevant laws and regulations in relation to the prevention of child or forced labour that have a significant impact on the Group.

- Operating Practices

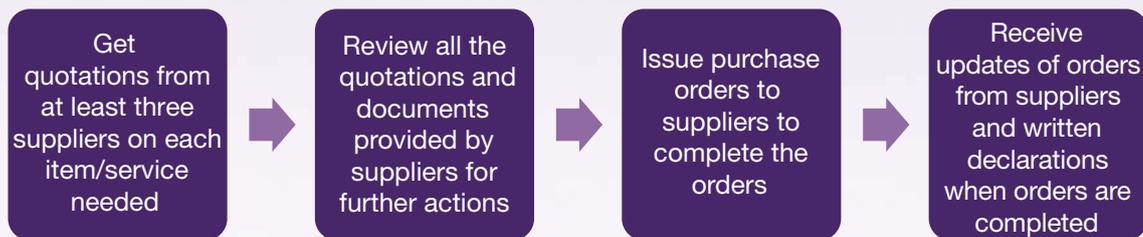
B5. Supply Chain Management

		2023	2022
Total number of suppliers		100	96
Geographical regions	Malaysia	81	81
	Singapore	3	3
	the PRC	14	7
	Others	2	5
Supplier nature	Services	66	56
	Hardware	27	40
	Products	7	–

The Group relies on a variety of suppliers to provide good services and products to customers. Therefore, it is important for us to monitor and manage the suppliers’ performances, which directly affects our servicing quality. We have established a complete set of policies for the staff’s reference to standardise the selection and management of suppliers in the ESG aspects.

According to our internal policies, when we need to engage a supplier for hardware or services procurements, we should get quotations from at least three different suppliers except for items from limited seller, competitive reseller, or any urgent order. All the suppliers must provide the exact items and services mentioned in the quotation, or we would have follow-up actions to ensure our rights, including terminating the contract.

Procurement Procedures



To minimise the potential risks along the supply chain, the Group has set criteria in different aspects to manage and standardise the suppliers’ performance, such as the price, servicing quality, strategic sourcing and supply certification and other relevant certifications.

We expect our suppliers to be environmentally and socially responsible. Therefore, we encourage our suppliers to be certified by different management systems or frameworks to standardise their performances, such as the ISO 9001 Quality Management System, ISO 18295 Customer Contact Centres, ISO 45001 Occupational Health and Safety Management System, ISO 27001 Information Security Management System, ISO 27701 Privacy Information Management System etc. To ensure the operation standard of suppliers are up to our expectation and requirement, annual evaluation is conducted by our staff. If a supplier is found violating the regulations, we will terminate our cooperation.

B6. Services Responsibility

The quality of services is always the key focus in our operations. The Group has established a comprehensive and stringent quality assurance system through various internal policies to ensure the quality, reliability and timeliness of our managed internet services. The Group works with suppliers and subcontractors that act in an environmentally, socially and ethically responsible manner. The Group's engineering team is responsible for the quality control of its managed internet services, such as network infrastructure design projects, network connectivity services and conducting user acceptance testing for its customers. The Group adheres to the quality control system developed by its engineering team.

The Group is dedicated to delivering top-notch services to its clients and has complied with the relevant rules, regulations and standards in Malaysia and the PRC that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters with respect to its products and services and methods of redress for the Reporting Period, which primarily include:

- Personal Data Protection Act 2010 (Malaysia);
- Consumer Protection Act 1999 (Malaysia);
- Intellectual Property Corporation of Malaysia Act 2002;
- Copyright Act 1987 (Malaysia);
- Regulations of the PRC for Safety Protection of Computer Information Systems;
- Cybersecurity Law of the PRC;
- Provisions on the Technical Measures for the Protection of the Security of the Internet (the PRC); and
- Administrative Measures on Internet Information Services and Measures for Security Protection Administration of the International Networking of Computer Information Networks (the PRC).

During the Reporting Period, the Group did not recall any product sold due to safety and health reasons.

Customer Privacy Protection

It is unavoidable for the Group to collect and use certain information about individuals or companies with which the Group has a relationship. Our ability to prevent the leakage of customer privacy contributes a large part of our reputation and the trust from the market. Therefore, the Group established a complete Customer Data Protection Policy (the “**Policy**”) to give all employees the guidance on how the data should be handled to reduce the risks of improper disclosure.

The Purposes:

1. Comply with data protection law and follow good practice
2. Protect the rights of employees, customers, and partners
3. Increase the transparency of how the data being stored and processed
4. Protect the Group from the risks of data breaches

This Policy has clearly stated the scope of application and the responsibility of different roles, which give the basic framework for effective implementation. The Board is ultimately responsible to ensure the Group complies with all legal obligations. Under the leadership of the Board, this Policy is implemented and monitored mainly by the data protection officer, the IT manager and the group sales manager.

Managing Structure:



Data Storage

To ensure the security of data storage, strict rules are set on how and where to store both paper and electronic data. Apart from keeping all physical data storage vehicles, such as paper, compact disc (CD) or universal serial bus (USB), locked securely when not being used, all other servers and online storage systems are protected by approved security software and firewalls. Besides, no data can be saved to any unauthorised cloud computing services, laptops, mobiles, or other electrical devices. All servers containing personal data are sited in secure locations, where is away from general office space. When employees need to dispose or delete the data no longer required, guidelines are set for them to avoid improper disposal or data breach.

Data Usage

We understand that the access to customers' personal data brings us the greatest potential risk of data breach. To minimise the risks and protect our most valuable assets, no personal data of the customers are allowed to be shared informally, and employees can only access the data from the central system instead of their personal computers. Unnecessary additional data sets should not be created. Furthermore, all data must be encrypted before any electronic transferring, which should never be sent via email as this form of communication is not secure.

Data Accuracy and Update

It is the Group's responsibility to ensure our employees take reasonable steps to keep all data as accurate and up to date as possible. The database should be checked regularly to avoid any wrong records and outdated contact. The marketing manager has the responsibility to ensure the marketing databases are checked against industry suppression files every six months.

Customer Requests

All individuals who are the subject of the personal data held by the Group are entitled to

1. Ask what information the Group has held and what the collection purposes are
2. Ask how to access to it
3. Be informed how the data are handled
4. Be informed how the Group protects the data

Other than the above situations and certain circumstances stated in the Personal Data Protection Act 2010 in Malaysia ("**PDPA**") and the China Personal Information Protection Law ("**PIPL**"), such as formal requests from the law enforcement agencies, no data will be disclosed by the Group to the third party without the customer's consent.

During the Reporting Period, the Group did not find any cases involving leakage of clients' private data or violating any relevant laws and regulations of privacy protection, including PDPA and PIPL.

Customer Communication

The Group is always dedicated to providing good customer service and maintaining a stable customer relationship. As such, we have established policies to handle customers' complaints to ensure the efficiency and effectiveness of the communication channels, the discharge of responsibilities of the staff and the handling procedures.

Complaints are handled by different departments according to their nature, namely technical, sales, support services and general complaints. By doing so, the appropriate staff can be assigned to give the most effective solution to the customers within a reasonable timeframe. The customers are provided with the access to the handling process from time to time, which ensures the transparency and increases the customers' trust towards the Group. To improve our service quality, the management team will review the complaints quarterly and establish relevant improvement plans.

The following diagram illustrates the Group's complaints handling procedures:



For the Group's business in Malaysia, if a complaint is not resolved to the complainant's satisfaction, the complainant may seek help from external party, the Malaysian Communication and Multimedia Commission which is a Governmental party to deal with complaints about telecommunication services.

During the Reporting Period, the Group did not receive any significant complaints from customers.

Protection and Maintenance of Intellectual Property

The Group has established a comprehensive Intellectual Property Policy to provide guidelines on the implementation of copyright compliance, the application and violation procedures and the actual operation standards for the employees, which helps to standardize the Group's performance. This policy will be reviewed annually to cope with the Group's development and daily operation updates.

The HOHR is responsible for the application of registration of trademarks or patents on behalf of the Group. All the relevant documents, such as the certification of registration of trademark or patent, shall be filed by the HOHR, which is also responsible for the continuous management, maintenance, and monitoring of all the relevant status and renewal issues. For the use of third party's brands and franchises, it is the Managing Director and Director's responsibility to discuss, review and confirm the cooperation terms with the third party.

Communication and Information Management

The Group believes that the management of the external communication determines our credibility and reputation. It is important for us to ensure that the correct messages are delivered to the market with appropriate interpretation. Therefore, the Group follows its communication policies to provide timely, accurate and complete information to external parties based on the actual situation while observing all confidentiality agreements to avoid selective disclosure and to ensure that the public have fair and open access to the accurate information of the Group.

B7. Anti-corruption

To maintain a fair, ethical and efficient working environment, during the Reporting Period, the Group abided by the applicable laws and regulations relating to anti-corruption and bribery, irrespective of the region in which the Group operates, including the Malaysian Anti-Corruption Commission Act 2009 (Malaysia), Anti-Money Laundering Law of the PRC, Supervision Law of the PRC and Criminal Law of the PRC, where applicable, as well as our internal policies on the prevention of corruption.

Probity lays the foundation for the sustainable development of the Group. We believe that only operating the business with clean hands can help the Group to develop in a sustainable way for long-term values. Therefore, we do not tolerate any form of bribery and corruption and have requested all the employees to perform their daily tasks in a credible and reliable manner.

To ensure that all staff thoroughly understand our requirements, we have stated in the employment contract and other internal materials, each position's responsibility and rights which are based on the relevant laws and regulations. If cases of bribery or corruption are found and the Group considers this is a serious misconduct, the staff concerned will be subject to disciplinary action which include dismissal.

The Group has formulated and strictly enforced its trade and transaction policies to prevent any illegal practices, including corruption, extortion and money-laundering within the Group. The Group prohibits all forms of bribery and corruption and requires all its employees to follow the relevant codes of professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery or any activities which might exploit their positions against the Group's interests. During the Reporting Period, no legal cases regarding corrupt practices were brought against the Group or any of its employees.

Whistleblowers can report verbally or in writing to the Audit Committee for any suspected misconduct with full details of the incidents and supporting evidence. The Audit Committee will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group has established an effective grievance mechanism to protect the whistleblowers from unfair dismissal or victimisation. Where any crime is suspected by the Group, a report will be submitted promptly to the relevant regulators or law enforcement authorities when the management of the Group considers necessary.

During the Reporting Period, the Group is not in violation of any relevant laws and regulations in relation to bribery, extortion, fraud, and money laundering that have a significant impact on the Group.

- *Community*

- B8. Community Investment*

The Group always aims to build a better society by creating long-term values to all the stakeholders and reducing our negative impacts to the environment. We adhere to our social responsibilities as a technology company, actively engage in public welfare undertakings, and fulfil our corporate social responsibilities with practical actions to contribute to the development of the industry.

As a responsible enterprise, the Group recognises its strong commitment to its stakeholders in contributing to society while maintaining momentum in achieving good financial results. In recent years, the Group has focused on meeting the genuine needs of local communities and making unremitting efforts in supporting the healthy growth of community members. The Group believes that the ongoing community engagement and meaningful dialogue with local people are key to understanding its business impact and to perceiving its sustainability missions. During the Reporting Period, the Group made contribution of approximately HK\$30,000 to the charities and flooding donation.

Looking ahead, the Group will invest more from its economic returns back to the education, health, harmony and wellbeing of local communities and keep building the trust with community groups.

ESG REPORT SUMMARY AND INDEX

General Disclosures and KPIs	Description	Section/Explanation	Page
Environmental Protection Measures			
Aspect A1: Emissions			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	“Environmental Protection Measures — A1. Emissions”	69
KPI A1.1	The types of emissions and respective emissions data.	Air emissions are not material to our operations.	Not applicable
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Environmental Protection Measures — A1. Emissions”	70
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group generated no significant hazardous or non-hazardous waste during the Reporting Period.	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	The Group has not yet set any emission targets as emissions are not material to our operations.	Not applicable
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Hazardous waste generation and handling are not material to our operations.	Not applicable

General Disclosures and KPIs	Description	Section/Explanation	Page
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	“Environmental Protection Measures – A2. Use of Resources”	71
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	“Environmental Protection Measures – A2. Use of Resources”	71
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water consumption is not material to our operations.	Not applicable
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	“Environmental Protection Measures – A2. Use of Resources”	72
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water consumption is not material to our operations.	Not applicable
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material is not material to our operations.	Not applicable
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	“Environmental Protection Measures – A3. The Environment and Natural Resources”	74
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	“Environmental Protection Measures – A3. The Environment and Natural Resources”	74
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	“Environmental Protection Measures – A4. Climate Change”	74
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	“Environmental Protection Measures – A4. Climate Change”	74

General Disclosures and KPIs			
General Disclosures and KPIs	Description	Section/Explanation	Page
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	“Employment and Labour Practices – B1. Employment”	74-75
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	“Employment and Labour Practices – B1. Employment”	75
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	“Employment and Labour Practices – B1. Employment”	76
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	“Employment and Labour Practices – B2. Health and safety”	78
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	“Employment and Labour Practices – B2. Health and safety”	78
KPI B2.2	Lost days due to working injury.	“Employment and Labour Practices – B2. Health and safety”	78
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	“Employment and Labour Practices – B2. Health and safety”	79

General Disclosures and KPIs	Description	Section/Explanation	Page
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General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	"Employment and Labour Practices – B3. Development and Training"	79
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	"Employment and Labour Practices – B3. Development and Training"	80
KPI B3.2	The average training hours completed per employee by gender and employee category.	"Employment and Labour Practices – B3. Development and Training"	80
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	"Employment and Labour Practices – B4. Labour Standards"	80
KPI B4.1	Description of measures to reviews employment practices to avoid child and forced labour.	"Employment and Labour Practices – B4. Labour Standards"	80
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	"Employment and Labour Practices – B4. Labour Standards"	80

General Disclosures and KPIs	Description	Section/Explanation	Page
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	“Operating Practices – B5. Supply Chain Management”	81
KPI B5.1	Number of suppliers by geographical region.	“Operating Practices – B5. Supply Chain Management”	81
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	“Operating Practices – B5. Supply Chain Management”	81
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	“Operating Practices – B5. Supply Chain Management”	81
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	“Operating Practices – B5. Supply Chain Management”	81
Aspect B6: Services Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	“Operating Practices – B6. Services Responsibility”	82
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	“Operating Practices – B6. Services Responsibility”	82
KPI B6.2	Number of products and services related complaints received and how they are dealt with.	“Operating Practices – B6. Services Responsibility – Customer Communication”	85

General Disclosures and KPIs	Description	Section/Explanation	Page
Aspect B6: Services Responsibility			
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	“Operating Practices – B6. Services Responsibility – Protection and Maintenance of Intellectual Property”	85
KPI B6.4	Description of quality assurance process and recall procedures.	“Operating Practices – B6. Services Responsibility”	82
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	“Operating Practices – B6. Services Responsibility – Customer Privacy Protection”	85-86
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	“Operating Practices – B7. Anti-corruption”	86
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	“Operating Practices – B7. Anti-corruption”	86
KPI B7.2	Description of preventive measures and whistle blowing procedures, how they are implemented and monitored.	“Operating Practices – B7. Anti-corruption”	86

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosures and KPIs	Description	Section/Explanation	Page
KPI B7.3	Description of anti-corruption training provided to directors and staff	Not applicable as no anti-corruption training was provided to the Directors and employees. The Group is in the process of seeking appropriate training for both the Directors and employees.	Not applicable

Community

Aspect B8: Community Investment

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	"B8. Community Investment"	87
KPI B8.1	Focus areas of contribution (e.g education, environmental concerns, labour needs, health culture, sport).	"B8. Community Investment"	87
KPI B8.2	Resources contributed (e.g money or time) to the focus area.	"B8. Community Investment"	87

INDEPENDENT AUDITOR'S REPORT

mazars
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MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel電話: (852) 2909 5555
Fax傳真: (852) 2810 0032
Email電郵: info@mazars.hk
Website網址: www.mazars.hk

To the members of
Michong Metaverse (China) Holdings Group Limited
(formerly known as Nomad Technologies Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Michong Metaverse (China) Holdings Group Limited *(formerly known as Nomad Technologies Holdings Limited)* (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 101 to 175, which comprise the consolidated statement of financial position at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 30 June 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

Refer to significant accounting policy in Note 2 and the disclosure of revenue in Note 5 to the consolidated financial statements

The Group's revenue is principally generated through (i) sales in electronic commerce; (ii) sales of hardware; (iii) subscription fee; (iv) on-site installation of hardware; (v) network management and security services; (vi) network connectivity services; and (vii) lease of hardware.

In respect of on-site installation of hardware, network management and security services and network connectivity services, the Group recognises revenue over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The revenue generated from on-site installation of hardware, network management and security services and network connectivity services for the year ended 30 June 2023 amounted to approximately HK\$1,914,000, HK\$8,717,000 and HK\$52,794,000, respectively.

We identified the above matter as a key audit matter because the amount involved is significant and significant management judgements and estimations is required on the allocation of the transaction prices among various performance obligations and to determine the progress towards complete satisfaction of the performance obligation at the reporting date.

Our procedures, among others, included:

- a) obtaining an understanding of and evaluating the design and implementation of the Group's key internal controls over the contract revenue recognition including the control over recording work done, invoicing and cash receipts;
- b) examining the allocation of transaction prices among various performance obligations and testing the accuracy of revenue recognition on a sample basis;
- c) comparing the value of the transferred goods or services rendered to date relative to the remaining goods or services promised under the contract, on a sample basis, to assess the reasonableness of management's estimation; and
- d) performing substantive testing on the accuracy and occurrence of revenue on a sample basis by examining key terms in contracts (including contract sum, deliverables timetable and milestones), signed user acceptance, billings records, financial records and other relevant supporting documents.

KEY AUDIT MATTERS (CONTINUED)**Key audit matter****How our audit addressed the key audit matter*****Recoverability assessment of trade receivables***

Refer to significant accounting policy and critical accounting estimate and judgement in Note 2, the disclosures of trade receivables in Note 20 and the disclosures of the financial risk management – credit risk in Note 31 to the consolidated financial statements, respectively

At 30 June 2023, the carrying amount (net of loss allowances) of trade receivables amounted to approximately HK\$30,115,000.

Management performed credit evaluations for the Group's debtors and assessed expected credit losses ("ECL") of trade receivables. These assessments were focused on the debtors' settlement record and historical actual credit loss experience, their current repayment ability and forward-looking information specific to respective debtor as well as pertaining to the economic environment in which the debtor operates.

We have identified the above matter as a key audit matter because the balances are material to the Group and significant degree of judgements were made by the management in assessing the credit standing of the Group's debtors, and therefore the estimation of ECL of trade receivables.

Our procedures, among others, included:

- a) obtaining an understanding of management's assessment of ECL of trade receivables and assessing the reasonableness of impairment recognised by examining the key underlying information referenced by the management, such as checking the accuracy of the ageing analysis of trade receivables to the relevant sales invoices, on a sample basis;
- b) checking and assessing whether the loss allowance was properly supported by considering available forward-looking information, debtors' ageing analysis, settlement record and history of default; and
- c) in respect of receivables of individual debtor which had not been identified by management as potentially impaired, corroborating management's assessment with the external evidence obtained (e.g. public information available to us), our examination of the debtors' payment records during the current year and subsequent to the end of the reporting period, as well as the historical collection records.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 22 September 2023

The engagement director on the audit resulting in this independent auditor's report is:

Fong Chin Lung

Practising Certificate number: P07321

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (restated)
Revenue	5	131,737	112,398
Cost of sales and services		(62,889)	(72,075)
Gross profit		68,848	40,323
Other income	6	308	540
Other gain and losses, net	7	(43)	1,294
Selling expenses		(5,969)	(44,073)
Administrative and other operating expenses		(41,326)	(35,648)
Finance costs	8	(469)	(327)
Share of results of associates	16	(75)	–
Profit (Loss) before tax	8	21,274	(37,891)
Income tax expenses	11	(992)	(302)
Profit (Loss) for the year		20,282	(38,193)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign subsidiaries		(1,918)	(3,388)
Total comprehensive income (loss) for the year		18,364	(41,581)
Profit (Loss) for the year attributable to:			
Equity owners of the Company		20,150	(38,040)
Non-controlling interests	14	132	(153)
		20,282	(38,193)
Total comprehensive income (loss) for the year attributable to:			
Equity owners of the Company		18,250	(41,413)
Non-controlling interests	14	114	(168)
		18,364	(41,581)
Earnings (Loss) per share attributable to equity owners of the Company			
Basic and diluted (HK\$ cents)	12	3.36	(6.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	As at 30 June		As at 1 July
		2023 HK\$'000	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)
Non-current assets				
Property, plant and equipment	15	39,538	51,883	48,655
Interests in associates	16	2,925	–	–
Cryptocurrencies	17	994	–	–
Deferred tax assets	25	1,826	406	493
		45,283	52,289	49,148
Current assets				
Inventories	18	7,913	6,725	4,364
Contract costs	19	1,799	1,675	2,493
Trade and other receivables	20	35,792	36,541	27,982
Tax recoverable		2,833	2,441	3,644
Pledged bank deposits	21	4,629	4,845	4,925
Bank balances and cash	21	22,000	49,342	37,903
		74,966	101,569	81,311
Current liabilities				
Trade and other payables	22	22,489	73,970	21,603
Interest-bearing borrowings and bank overdrafts	23	5,204	4,908	724
Lease liabilities	24	1,729	1,425	744
		29,422	80,303	23,071
Net current assets		45,544	21,266	58,240
Total assets less current liabilities		90,827	73,555	107,388
Non-current liabilities				
Trade and other payables	22	13,945	13,984	6,996
Interest-bearing borrowings and bank overdrafts	23	277	365	432
Lease liabilities	24	2,332	3,297	2,470
		16,554	17,646	9,898
NET ASSETS		74,273	55,909	97,490

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		As at 30 June 2023	2022	As at 1 July 2021
	Notes	HK\$'000	HK\$'000	HK\$'000
			(restated)	(restated)
Capital and reserves				
Share capital	26	6,000	6,000	6,000
Reserves		67,916	49,666	91,079
<hr/>				
Equity attributable to equity owners of the Company		73,916	55,666	97,079
Non-controlling interests	14	357	243	411
<hr/>				
TOTAL EQUITY		74,273	55,909	97,490

These consolidated financial statements on pages 101 to 175 were approved and authorised for issue by the Board of Directors on 22 September 2023 and signed on its behalf by

Yu Decai
Director

Hu Mingdai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2023

	Attributable to equity owners of the Company							Total equity HK\$'000
	Reserves					Total HK\$'000	Non-controlling interests HK\$'000	
	Share capital HK\$'000 (Note 26)	Share premium HK\$'000 (Note 28(a))	Merger reserve HK\$'000 (Note 28(b))	Exchange reserve HK\$'000 (Note 28(d))	Accumulated (losses) profits HK\$'000			
At 1 July 2021 (restated)	6,000	89,085	(31,712)	(1,254)	34,960	97,079	411	97,490
Loss for the year	-	-	-	-	(38,040)	(38,040)	(153)	(38,193)
Other comprehensive loss:								
<i>Item that may be reclassified subsequently to profit or loss:</i>								
Exchange difference arising on translation of foreign subsidiaries	-	-	-	(3,373)	-	(3,373)	(15)	(3,388)
Total comprehensive loss for the year	-	-	-	(3,373)	(38,040)	(41,413)	(168)	(41,581)
At 30 June 2022 (restated)	6,000	89,085	(31,712)	(4,627)	(3,080)	55,666	243	55,909

	Attributable to equity owners of the Company							Total equity HK\$'000	
	Reserves					Total HK\$'000	Non-controlling interests HK\$'000		
	Share capital HK\$'000 (Note 26)	Share premium HK\$'000 (Note 28(a))	Merger reserve HK\$'000 (Note 28(b))	Statutory reserve HK\$'000 (Note 28(c))	Exchange reserve HK\$'000 (Note 28(d))				Accumulated (losses) profits HK\$'000
At 1 July 2022 (restated)	6,000	89,085	(31,712)	-	(4,627)	(3,080)	55,666	243	55,909
Profit for the year	-	-	-	-	-	20,150	20,150	132	20,282
Other comprehensive loss:									
<i>Item that may be reclassified subsequently to profit or loss:</i>									
Exchange difference arising on translation of foreign subsidiaries	-	-	-	-	(1,900)	-	(1,900)	(18)	(1,918)
Total comprehensive (loss) income for the year	-	-	-	-	(1,900)	20,150	18,250	114	18,364
Transactions with owners:									
<i>Contributions and distributions</i>									
Transfer to statutory reserve	-	-	-	3,441	-	(3,441)	-	-	-
Total transaction with owners	-	-	-	3,441	-	(3,441)	-	-	-
At 30 June 2023	6,000	89,085	(31,712)	3,441	(6,527)	13,629	73,916	357	74,273

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000 (restated)
OPERATING ACTIVITIES			
Profit (Loss) before tax		21,274	(37,891)
Adjustments for:			
Amortisation of contract costs		1,412	1,730
Depreciation of property, plant and equipment		18,085	19,045
Finance costs		469	327
Foreign exchange loss, net		4,457	–
Reversal of impairment loss on trade receivables, net		(131)	(154)
Impairment loss of cryptocurrencies	17	6	–
Interest income from bank deposits		(230)	(169)
Loss (Gain) on disposal of property, plant and equipment		69	(431)
Write-off of property, plant and equipment		4	17
Share of results of associates		75	–
Operating cash inflows (outflows) before movements in working capital		45,490	(17,526)
Changes in working capital:			
Trade and other receivables		880	(8,405)
Inventories		(1,188)	(2,361)
Contract costs		(1,536)	(912)
Trade and other payables		(51,520)	59,355
Cash (used in) generated from operations		(7,874)	30,151
Income tax (paid) refunded		(3,039)	826
Net cash (used in) from operating activities		(10,913)	30,977
INVESTING ACTIVITIES			
Interest received		230	169
Purchase of property, plant and equipment		(9,499)	(21,323)
Placement of pledged bank deposits		(159)	(162)
Proceed from disposal of property, plant and equipment		380	176
Investment in associates		(3,000)	–
Purchase of cryptocurrencies		(1,000)	–
Net cash used in investing activities		(13,048)	(21,140)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (restated)
FINANCING ACTIVITIES			
Interest paid		(469)	(327)
Repayments of interest-bearing borrowings	30(a)	(48)	(44)
Repayment of lease liabilities	30(a)	(1,842)	(1,541)
Net cash used in financing activities		(2,359)	(1,912)
Net (decrease) increase in cash and cash equivalents		(26,320)	7,925
Cash and cash equivalents at the beginning of the reporting period		44,481	37,224
Effect of foreign exchange rate changes		(1,317)	(668)
Cash and cash equivalents at the end of the reporting period		16,844	44,481
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	21	22,000	49,342
Bank overdrafts	23(a)	(5,156)	(4,861)
		16,844	44,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Michong Metaverse (China) Holdings Group Limited (*formerly known as Nomad Technologies Holdings Limited*) (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 5 June 2018. The Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 December 2019 (the “**Listing**”). The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company’s principal place of business in Malaysia and the People’s Republic of China (the “**PRC**”) is situated at No.25, 25-1 & 25-3, Jalan MH 3, Taman Muzaffar Heights, 75450 Ayer Keroh, Melaka, Malaysia and Room 310-313, Building 7, WISCO High-tech Industrial Park, No. 5 Maodian Shanzhong Road, East Lake High-tech Development Zone, Wuhan, the PRC, respectively.

The principal activity of the Company is investment holding. The Company together with its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in rendering of (i) network support services mainly encompassing network infrastructure design and hardware installation, network management and security services; (ii) network connectivity services that focus on providing intranet and internet connectivity solutions and value-added services; and (iii) electronic commerce (“**E-Commerce**”) services.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Thrive Harvest Limited.

Following a special resolution in relation to the change of name by the Company’s shareholders at the Extraordinary General Meeting on 17 June 2022, the name of the Company was changed from Nomad Technologies Holdings Limited to Michong Metaverse (China) Holdings Group Limited with effect from 13 July 2022.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“**IASs**”) and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”) and all amounts have been rounded to the nearest thousand (“**HK\$’000**”), unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year as set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Change in presentation currency

Prior to 1 July 2022, Malaysian Ringgit (“RM”) was regarded as the presentation currency of the Company and the consolidated financial statements were also presented in RM. Having considered that the Company’s shares are listed on the Stock Exchange and its stock is traded in HK\$, the Board of Directors believes that it is more appropriate to use HK\$ as the presentation currency as it enables the shareholders and potential investors of the Company to have a more accurate picture of the Group’s financial performance. Accordingly, the Company’s presentation currency for its consolidated financial statements has been changed from RM to HK\$ from 1 July 2022. The change in presentation currencies was accounted for in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Comparative figures have been restated to reflect the change in the Group’s presentation currency.

For the purpose of re-presentation of the consolidated financial statements of the Group from RM to HK\$, the assets and liabilities are translated into HK\$ at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective periods/years. Share capital, share premium and reserves are translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group.

Amendments to IAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of IAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised IFRSs (continued)

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2018-2020 Cycle

IFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRSs later than its parent – i.e. if a subsidiary adopts IFRSs later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRSs.

IFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

IAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, which is presented in Note 27 to the consolidated financial statements, an investment in a subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long-term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates or joint ventures. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Associates and joint ventures (continued)

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.

In the Company's statement of financial position which is presented within these notes, an investment in associates and joint ventures is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of associates and joint ventures are accounted for by the Company using the equity method.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write-off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives at the annual rate as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	Over remaining lease period
Staff quarters	2%
Furniture and fittings	10%
Office equipment	10%
Renovation and signboards	10%
Computers	20% – 40%
Motor vehicles	20%
Internet services equipment	17% – 50%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cryptocurrencies

Cryptocurrencies purchased are held by the Group through third-party custodian service provider, and are accounted for as intangible assets under cost model. The initial cost of acquiring cryptocurrencies is capitalised. The cryptocurrencies held by the Group are considered to have an indefinite life as the directors of the Company consider that there is no foreseeable limit on the period of time over which the cryptocurrencies can be used to generate economic benefits. Accordingly, they are carried at cost less accumulated impairment losses.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, pledged bank deposits and bank balances and cash.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, interest-bearing borrowings and bank overdrafts, and lease liabilities. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with IFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets and other items (continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral
- (iv) industry of debtors
- (v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets and other items (continued)

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in Note 31 to the consolidated financial statements, pledged bank deposits and bank balances and cash are determined to have low credit risk.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets and other items (continued)

Simplified approach of ECL

For trade receivables without a significant financing component or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) significant financial difficulty of the issuer or the borrower;
- (ii) a breach of contract, such as a default or past due event;
- (iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; and
- (vi) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoverable of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Rental income

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs.

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

- (i) Advertising income;
- (ii) Sales in E-Commerce;
- (iii) Sales of hardware;
- (iv) Subscription fee;
- (v) On-site installation of hardware;
- (vi) Network management and security services; and
- (vii) Network connectivity services.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers within IFRS 15 (continued)

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from advertisements are recognised at a point in time when services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers within IFRS 15 (continued)

Timing of revenue recognition (continued)

Sales in E-Commerce and sales of hardware are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

On-site installation of hardware, network management and security services and network connectivity services are recognised over time by reference to the progress towards complete satisfaction of the performance obligation.

Subscription fee is recognised over time throughout the subscription period.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For subscription fee, network management and security services and network connectivity services, it is common for the Group to receive from the customers the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Contract costs

Contract costs are either incremental costs of obtaining or costs (other than those that are accounted for as inventories or property, plant and equipment) to fulfil contracts with customers. Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses.

The costs to obtain contracts are capitalised if they are incremental and recoverable. The capitalised costs are amortised on a straight-line basis over the term of the specific existing and anticipated contracts to which the costs relate.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is HK\$ and the consolidated financial statements are presented in HK\$ because the directors of the Company considered HK\$ enables shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

The results and financial position of all the group entities that have a functional currency different from the presentation currency (“**foreign operations**”) are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group’s entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group’s interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- on all other partial disposals, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's property, plant and equipment, cryptocurrencies, the Company's investments in subsidiaries and the Group's investments in associates may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

As lessee (continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land and buildings	Over remaining lease period
Motor vehicles	5 years
Internet services equipment	2-6 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

As lessee (continued)

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.
- (b) the Group determines the lease term of the modified contract.
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to IFRS 16: *COVID-19-Related Rent Concessions beyond 30 June 2021* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

As lessee (continued)

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor – operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

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

- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Segment reporting

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

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

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty are as follows:

(i) *Useful lives of property, plant and equipment*

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) *Impairment of property, plant and equipment*

The management of the Group determines whether the Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) *Allowance for inventories*

The management of the Group reviews the inventory ageing analysis periodically and makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowance at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty are as follows: (continued)

(iv) *Loss allowance for ECL*

The management of the Group estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables.

(v) *Identification of lease*

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on the requirements of IFRS 16 and all the relevant facts and circumstances. In particular, the Group assesses whether the contract involves the use of an identified asset by applying the concept of substantive substitution right. Also, the Group assesses whether the Group or the customer has the right to direct the use of the identified asset with reference to determination of which party has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where such decisions are predetermined, the right to operate the asset or the incorporation of such decisions by means of designing the asset are considered.

(vi) *Revenue recognition*

The Group recognised revenue from on-site installation of hardware, network management and security services and network connectivity services over a period of time by reference to the progress towards complete satisfaction of the performance obligations of each project at the reporting date. The management has to assess the relevancy of performance obligations for each project and the allocate the transaction prices among various performance obligations in order to determine the recognition point(s) of revenue. The recognition of revenue is therefore owing to the inherent risk associated with the management's judgement.

(vii) *Accounting for cryptocurrencies*

IFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the annual report, the management needs to apply judgement in determining appropriate accounting policies based on the facts and circumstances of the Group's acquisition and holding of cryptocurrencies.

Given the Group's purpose for holding cryptocurrencies and the non-monetary nature of cryptocurrencies, the management considered that cryptocurrencies purchased and held by the Group should be accounted for as indefinite-lived intangible assets accounted for under the cost model.

As disclosed in Note 17, in determining fair values used for impairment tests, the management needs to apply judgement to identify the relevant available markets for trading of cryptocurrencies, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets to ascertain the respective fair market values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

3. FUTURE CHANGES IN IFRSs

At the date of authorisation of the consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current reporting period, which the Group has not early adopted:

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ^[1]
Amendments to IAS 8	Definition of Accounting Estimates ^[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ^[1]
IFRS 17	Insurance Contracts ^[1]
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information ^[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ^[2]
Amendments to IAS 1	Non-current liabilities with Covenants ^[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ^[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ^[2]
Amendments to IAS 21	The Effects of changes in Foreign Exchange Rates ^[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[4]

^[1] Effective for annual periods beginning on or after 1 January 2023

^[2] Effective for annual periods beginning on or after 1 January 2024

^[3] Effective for annual periods beginning on or after 1 January 2025

^[4] The effective date to be determined

The directors of the Company do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

The executive directors of the Company determines its operating segments based on the internal management reports prepared in accordance with accounting policies conform to IFRSs that are regularly reviewed by the executive directors of the Company, being identified as the chief operating decision maker (“**CODM**”), for the purpose of resources allocation and assessment of segment performance based on products and services offered by the Group to the customers. The CODM considers that the operating segments of the Group comprise:

- (i) network support services and network connectivity services in Malaysia and the PRC; and
- (ii) E-Commerce in the PRC.

Segment results, which are the measures reported to CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of general administrative expenses incurred by corporate office and income tax.

The Group’s geographical segments regarding revenue is attributed to the segments based on the location where services are provided.

No analysis of the Group’s assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM of the Company for the reportable segments for the years ended 30 June 2023 and 2022 is as follows:

	Network support services and network connectivity services HK\$'000	E-Commerce HK\$'000	Total HK\$'000
Year ended 30 June 2023			
Primary geographical markets			
Malaysia	71,221	–	71,221
The PRC	5,025	55,491	60,516
Reportable segment revenue	76,246	55,491	131,737
Reportable segment (loss) profit	(12,526)	36,865	24,339
Year ended 30 June 2022 (restated)			
Primary geographical markets			
Malaysia	91,768	–	91,768
The PRC	2,522	18,108	20,630
Reportable segment revenue	94,290	18,108	112,398
Reportable segment loss	(5,815)	(29,410)	(35,225)

Reconciliation of reportable segment results

	2023 HK\$'000	2022 HK\$'000 (restated)
Reportable segment profit (loss)	24,339	(35,225)
Unallocated income	4,159	2,219
Unallocated expenses	(7,224)	(4,885)
Profit (Loss) before tax	21,274	(37,891)

4. SEGMENT INFORMATION (CONTINUED)*Geographical information*

The following sets out information about the geographical location of the Group's property, plant and equipment and cryptocurrencies (the "**Specified Non-current Assets**"). The geographical location of the property, plant and equipment is based on the physical location of the assets while cryptocurrencies is based on the location of the Company holding the assets.

Specified Non-current Assets

	2023 HK\$'000	2022 HK\$'000 (restated)
Malaysia	34,785	49,007
The PRC	3,368	2,876
Hong Kong	2,379	–
	40,532	51,883

Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group for the years ended 30 June 2023 and 2022 is as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Customer A	18,952	17,495
Customer B	(Note)	15,003

Note: The customer individually did not contribute 10% or more of the total revenue of the Group for the year ended 30 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

5. REVENUE

	2023 HK\$'000	2022 HK\$'000 (restated)
Revenue from contracts with customers within IFRS 15		
Advertising income	7,462	–
Sales in E-Commerce	535	350
Sales of hardware	5,998	23,116
Subscription fee	47,494	17,759
Rendering of services		
– On-site installation of hardware	1,914	4,831
– Network management and security services	8,717	4,799
– Network connectivity services	52,794	53,178
	124,914	104,033
Revenue from other sources		
Revenue from lease of hardware under operating lease with fixed lease payments	6,823	8,365
	131,737	112,398
Timing of revenue recognition under IFRS 15		
At a point in time	13,995	23,466
Over time	110,919	80,567
	124,914	104,033

Unsatisfied or partially unsatisfied performance obligations

The amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2023 is approximately HK\$89,801,000 (2022: approximately HK\$74,521,000), of which approximately HK\$39,519,000 and approximately HK\$50,282,000 are expected to be recognised as revenue within 12 months and over 1 year up to 4 years, respectively (2022: approximately HK\$37,470,000 and approximately HK\$37,051,000 are expected to be recognised as revenue within 12 months and over 1 year up to 4 years, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

6. OTHER INCOME

	2023	2022
	HK\$'000	HK\$'000 (restated)
Interest income from bank deposits	230	169
Government subsidies (<i>Note</i>)	44	117
Others	34	254
	308	540

Note: In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the government subsidies.

7. OTHER GAIN AND LOSSES, NET

	2023	2022
	HK\$'000	HK\$'000 (restated)
(Loss) Gain on disposal of property, plant and equipment	(69)	431
Reversal of impairment loss on trade receivables, net	131	154
Write-off of property, plant and equipment	(4)	(17)
Foreign exchange (loss) gain, net	(101)	726
	(43)	1,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

8. PROFIT (LOSS) BEFORE TAX

This is stated after charging:

	2023 HK\$'000	2022 HK\$'000 (restated)
Finance costs		
Interest expenses on interest-bearing borrowings and bank overdrafts	257	207
Interest expenses on lease liabilities	212	120
	469	327
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and benefits in kind	23,677	16,896
Contributions to defined contribution plans	2,351	1,782
	26,028	18,678
Other items		
Auditors' remuneration	1,152	1,068
Amortisation of contract costs	1,412	1,730
Cost of inventories	5,707	22,523
Depreciation of property, plant and equipment	18,085	19,045
Impairment loss of cryptocurrencies	6	–
Research and development costs (<i>Note</i>)	5,917	2,366

Note: Research and development costs recognised as expenses included amounts relating to staff costs and depreciation of property, plant and equipment, which are also included in the respective expenses disclosed separately above.

9. INFORMATION ABOUT THE BENEFITS OF THE DIRECTORS*(a) Directors' remuneration*

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Certain directors of the Company received remuneration from the Group during the years ended 30 June 2023 and 2022 for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the years ended 30 June 2023 and 2022 are set out below.

Year ended 30 June 2023

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Hu Mingdai	240	-	-	-	240
Mr. Yu Decai	720	-	-	-	720
<i>Independent non-executive directors</i>					
Mr. Chen Youchun ⁷	180	-	-	-	180
Mr. Ng Der Sian	180	-	-	-	180
Ms. Zheng Li Ping	180	-	-	-	180
	1,500	-	-	-	1,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

9. INFORMATION ABOUT THE BENEFITS OF THE DIRECTORS (CONTINUED)

(a) Directors' remuneration (continued)

Year ended 30 June 2022

	Directors' fees HK\$'000 (restated)	Salaries, allowances and benefits in kind HK\$'000 (restated)	Discretionary bonus HK\$'000 (restated)	Contributions to defined contribution plans HK\$'000 (restated)	Total HK\$'000 (restated)
<i>Executive directors</i>					
Dato' Eric Tan Chwee Kuang ⁶	293	1,737	210	215	2,455
Mr. Hu Mingdai ³	28	-	-	-	28
Mr. Saw Zhe Wei ⁵	4	-	-	-	4
Mr. Yu Decai ²	283	-	-	-	283
<i>Independent non-executive directors</i>					
Mr. Chen Youchun ¹	178	-	-	-	178
Mr. Lim Peng Chuan Terence ⁶	159	-	-	-	159
Mr. Ng Der Sian ³	21	-	-	-	21
Mr. Phua Cheng Sye Charles ⁶	159	-	-	-	159
Mr. Yau Yeung On ⁴	4	-	-	-	4
Ms. Zheng Li Ping ³	21	-	-	-	21
	1,150	1,737	210	215	3,312

¹ Appointed on 5 July 2021

² Appointed on 21 July 2021

³ Appointed on 20 May 2022

⁴ Resigned on 5 July 2021

⁵ Resigned on 21 July 2021

⁶ Resigned on 20 May 2022

⁷ Resigned on 20 July 2023

During the years ended 30 June 2023 and 2022, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 June 2023 and 2022.

9. INFORMATION ABOUT THE BENEFITS OF THE DIRECTORS (CONTINUED)*(b) Loans, quasi-loans and other dealings in favour of directors*

There were no loans, quasi-loans or other dealings in favour of the directors that were entered into or subsisted during the years ended 30 June 2023 and 2022.

(c) Director's material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company, or an entity connected with the directors, had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 30 June 2023 and 2022.

10. FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals, one is director whose emoluments are disclosed above (2022: two directors who resigned during the year but continued to be employed as employee of the Group whose emoluments are disclosed above). An analysis of the five highest paid individuals during the years ended 30 June 2023 and 2022 is as follows:

	Number of individuals	
	2023	2022
Director	1	–
Non-director	4	5
	5	5

Details of the remuneration of the emoluments in respect of the five highest paid individuals are as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Salaries, allowances and benefits in kind	3,613	3,645
Discretionary bonus	843	348
Contributions to defined contribution plans	455	532
	4,911	4,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

10. FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

The number of these five highest paid individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals	
	2023	2022
Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$2,000,001 to HK\$2,500,000	–	1
	5	5

During the years ended 30 June 2023 and 2022, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 30 June 2023 and 2022.

11. INCOME TAX EXPENSES

	2023 HK\$'000	2022 HK\$'000 (restated)
Current tax		
Malaysia Corporate Income Tax (“CIT”)		
Current	73	251
Over provision in prior years	(43)	(22)
PRC enterprise income tax (“EIT”)	2,461	8
	2,491	237
Deferred tax		
Changes in temporary differences (<i>Note 25</i>)	(1,499)	65
Total income tax expenses for the year	992	302

The Group entities established in the Cayman Islands and the BVI are exempted from income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the years ended 30 June 2023 and 2022.

11. INCOME TAX EXPENSES (CONTINUED)

Malaysia CIT is calculated at the rate of 24% (2022: 24%) of the Group's estimated assessable profits arising from Malaysia for the year ended 30 June 2023. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 15% on the first RM150,000, 17% on the next RM150,000 (2022: enjoy tax rate of 17% on the first RM600,000) and the remaining balance of the estimated assessable profits at tax rate of 24% (2022: 24%) for the year ended 30 June 2023.

The Group's subsidiaries established in the PRC are subject to EIT at 25% of the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

Reconciliation of income tax expenses

	2023 HK\$'000	2022 HK\$'000 (restated)
Profit (Loss) before tax	21,274	(37,891)
Income tax at statutory tax rates applicable in respective tax jurisdiction	5,806	(9,132)
Tax effect on non-taxable income	(300)	(210)
Tax effect on non-deductible expenses	2,600	2,316
Unrecognised tax losses	–	7,350
Utilisation of previously unrecognised tax losses	(7,096)	–
Over provision in prior years	(43)	(22)
Others	25	–
Income tax expenses for the year	992	302

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries in which the Group operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

12. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share attributable to equity owners of the Company is based on the following information:

	2023 HK\$'000	2022 HK\$'000 (restated)
Profit (Loss) for the year attributable to the equity owners of the Company, used in basic and diluted earnings (loss) per share calculation	20,150	(38,040)
	Number of shares	
	2023	2022
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share calculation	600,000,000	600,000,000

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as there are no dilutive potential ordinary shares in existence during the years ended 30 June 2023 and 2022.

13. DIVIDENDS

No dividend has been declared nor paid by the Group for the years ended 30 June 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

14. SUBSIDIARIES

Details of the subsidiaries at the end of each reporting period are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Paid up/ registered capital	Attributable equity interest held by the Company		Principal activities/ place of operation	Legal form of corporate existence
			2023	2022		
<i>Directly held</i>						
Top Quantum Limited	The BVI, 16 April 2018	United States Dollar ("US\$") 10	100%	100%	Investment holding, The BVI	Private limited liability company
Goodway Max Limited ("Goodway")	The BVI, 29 June 2021	US\$1	100%	100%	Investment holdings, The BVI	Private limited liability company
<i>Indirectly held</i>						
Nomad (HK) Limited	Hong Kong, 8 May 2018	HK\$1	100%	100%	Inactive, Hong Kong	Private limited liability company
IP Core Sdn. Bhd	Malaysia, 13 June 2007	RM500,000	100%	100%	Information, communication and technology, Malaysia	Private limited liability company
Metro Direct Carrier (M) Sdn. Bhd	Malaysia, 19 June 2013	RM200,000	100%	100%	Information, communication and technology, Malaysia	Private limited liability company
IP Core Network Sdn. Bhd. ("IPCN")	Malaysia, 16 July 2018	RM500,000	70%	70%	Information, communication and technology, Malaysia	Private limited liability company
China Mebugs Technology Holding Limited ("China Mebugs")	Hong Kong, 22 June 2021	HK\$1,000,000	100%	100% (Note (ii))	Inactive, Hong Kong	Private limited liability company
Morwin Blockchain Technology Limited	Hong Kong, 3 April 2023	HK\$10,000	100%	-	Information, communication and technology, The PRC	Private limited liability company
米虫科技信息(深圳)有限公司 (Mebugs Technology Information (Shenzhen) Co., Limited*, "Mebugs (Shenzhen)") (Note (i))	The PRC, 29 June 2021	Renminbi ("RMB") 10,000,000	100%	100% (Note (ii))	Information, communication and technology, The PRC	Private limited liability company
米虫互聯網絡(武漢)有限公司 (Michong Interconnected Network (Wuhan) Co., Ltd.*, "Michong (Wuhan)") (Note (i))	The PRC, 9 November 2021	RMB10,000,000	100%	100%	E-Commerce business, The PRC	Private limited liability company
凉兮科技(深圳)有限公司 (Liangxi Technology (Shenzhen) Co., Limited*, (Note (iii))	The PRC, 20 June 2023	RMB10,000,000	100%	-	Inactive, The PRC	Private limited liability company

* English translation for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

14. SUBSIDIARIES (CONTINUED)

Notes:

- (i) Registered under the laws of the PRC as wholly-owned foreign enterprise.
- (ii) On 26 July 2021, Goodway, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “**Agreement**”) with an independent third party (the “**Vendor**”). Pursuant to the Agreement, the Vendor has agreed to sell and Goodway has agreed to acquire the entire equity interest of China Mebugs at a consideration of HK\$8,000 (the “**Acquisition**”).

China Mebugs and its subsidiary, Mebugs (Shenzhen), carry on the businesses of providing IT services, cloud security, cloud as a service, network security and internet security management, which enable the Group to expand its current business of rendering of network support services and network connectivity services in both Hong Kong and the PRC markets through the Acquisition.

On 26 July 2021, the Acquisition was completed and China Mebugs and Mebugs (Shenzhen) became wholly-owned subsidiaries of the Group since then. Both China Mebugs and Mebugs (Shenzhen) were dormant and neither held any assets nor incurred any liabilities as at 26 July 2021.

Details of the Acquisition are set out in the Company’s announcement dated 26 July 2021.

- (iii) The registered share capital borne by the Group is RMB10,000,000 which was not yet paid up at the end of the reporting period.

Financial information of subsidiaries with individually material non-controlling interests (“NCI”)

The following table shows the information relating to the non-wholly owned subsidiary, IPCN, that has material NCI. The summarised financial information represents amounts before inter-company eliminations.

	2023	2022
Proportion of NCI’s ownership interests	30%	30%
	At 30 June 2023 HK\$’000	At 30 June 2022 HK\$’000 (restated)
Non-current assets	163	207
Current assets	42,616	14,632
Current liabilities	(41,548)	(14,027)
Non-current liabilities	(40)	(1)
Net assets	1,191	811
Carrying amount of NCI	357	243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

14. SUBSIDIARIES (CONTINUED)

Financial information of subsidiaries with individually material non-controlling interests (“NCI”) (continued)

	2023	2022
	HK\$'000	HK\$'000 (restated)
Revenue for the year	34,527	35,339
Expenses for the year	(34,086)	(35,849)
Profit (Loss) for the year	441	(510)
Profit (Loss) for the year attributable to NCI	132	(153)
Other comprehensive loss attributable to NCI	(18)	(15)
Total comprehensive income (loss) for the year attributable to NCI	114	(168)
Net cash flows (used in) from:		
Operating activities	(22,243)	(5,187)
Investing activities	3	13
Financing activities	21,030	6,081
	(1,210)	907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Staff quarters HK\$'000	Furniture and fittings HK\$'000	Office equipment HK\$'000	Renovation and signboards HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000 (Note (i))	Internet services equipment HK\$'000 (Note (ii))	Construction in progress HK\$'000 (Note (iii))	Total HK\$'000
Cost										
At 1 July 2021 (restated)	2,568	2,910	228	121	1,262	42,916	7,779	17,029	-	74,813
Additions	3,041	-	5	-	12	556	1,835	5,989	13,663	25,101
Disposal	-	-	-	-	-	-	(878)	-	-	(878)
Write-off	(366)	-	-	-	-	-	-	(5,426)	-	(5,792)
Exchange alignment	(218)	(141)	(11)	(6)	(62)	(2,094)	(410)	(844)	(475)	(4,261)
At 30 June 2022 and 1 July 2022 (restated)	5,025	2,769	222	115	1,212	41,378	8,326	16,748	13,188	88,983
Additions	1,444	-	7	18	666	2,502	2,164	4,142	-	10,943
Transfers	-	-	-	-	-	13,188	-	-	(13,188)	-
Disposal	-	-	-	(10)	-	-	(481)	-	-	(491)
Write-off	(38)	-	-	-	-	-	-	(3,531)	-	(3,569)
Exchange alignment	(322)	(156)	(13)	(7)	(69)	(5,254)	(1,432)	(1,970)	-	(9,223)
At 30 June 2023	6,109	2,613	216	116	1,809	51,814	8,577	15,389	-	86,643
Accumulated depreciation										
At 1 July 2021 (restated)	400	141	124	53	443	8,736	5,422	10,839	-	26,158
Charge for the year	413	57	23	12	122	10,681	1,944	5,793	-	19,045
Disposal	-	-	-	-	-	-	(872)	-	-	(872)
Write-off	(107)	-	-	-	-	-	-	(5,409)	-	(5,516)
Exchange alignment	(30)	(9)	(7)	(3)	(26)	(798)	(299)	(543)	-	(1,715)
At 30 June 2022 and 1 July 2022 (restated)	676	189	140	62	539	18,619	6,195	10,680	-	37,100
Charge for the year	1,591	54	22	12	294	11,419	697	3,996	-	18,085
Disposal	-	-	-	(5)	-	-	(37)	-	-	(42)
Write-off	-	-	-	-	-	-	-	(3,527)	-	(3,527)
Exchange alignment	(87)	(13)	(9)	(5)	(35)	(1,389)	(1,349)	(1,624)	-	(4,511)
At 30 June 2023	2,180	230	153	64	798	28,649	5,506	9,525	-	47,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and buildings HK\$'000	Staff quarters HK\$'000	Furniture and fittings HK\$'000	Office equipment HK\$'000	Renovation and signboards HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000 <i>(Note (i))</i>	Internet services equipment HK\$'000 <i>(Note (ii))</i>	Construction in progress HK\$'000 <i>(Note (iii))</i>	Total HK\$'000
Net carrying amounts										
At 30 June 2022 (restated)	4,349	2,580	82	53	673	22,759	2,131	6,068	13,188	51,883
At 30 June 2023	3,929	2,383	63	52	1,011	23,165	3,071	5,864	-	39,538

Notes:

- (i) At 30 June 2023, the Group has motor vehicles with carrying amount of approximately HK\$948,000 (2022: approximately HK\$1,393,000) held in trust under the name of a director of a subsidiary.
- (ii) At 30 June 2023, the carrying amount of the Group's hardware included equipment held by the Group for leasing to customers under operating lease arrangement amounted to approximately HK\$5,864,000 (2022: approximately HK\$6,068,000).
- (iii) At 30 June 2022, the Group's construction in progress related to the equipment purchased for cloud-based network security services at a consideration of Singapore Dollars ("SGD") 2,300,000 (equivalent to approximately HK\$13,188,000) had commenced the installation of the equipment but not yet completed. On 27 July 2022, the construction in progress has been completed and reclassified as "computers". Details of purchase of the equipment are set out in the Company's announcements dated 28 June 2022 and 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

16. INTERESTS IN ASSOCIATES

	2023 HK\$'000
Unlisted shares, at cost	3,000
Share of results	(75)
	2,925

Details of all the associates at the end of the reporting period are as follows:

Name of associates	Principal place of business and place of incorporation	Paid up/registered capital	Proportion of value of issued/registered capital indirectly held by the Company		Principal activities
			2023	2022	
Million Up Holdings Limited ("Million Up") (Note (i))	The PRC	US\$890	34%	–	Investment holding
Fantastic Adventure Holdings Limited ("Fantastic Adventure") (Note (i))	The PRC	US\$890	34%	–	Investment holding
華瑞騰邦科技(深圳)有限公司 Hua Rui Teng Bang Technologies (Shenzhen) Limited* ("Hua Rui") (Note (ii))	The PRC	RMB13,000,000	23%	–	Provision of artificial intelligence technology

* English translation for identification purposes only.

All of the above associates are accounted for using equity method in the consolidated financial statements. There are no capital commitment except Hua Rui and contingent liabilities in relation to the associates themselves.

The Directors considered that the reasonably possible change in the key assumptions adopted on the determination of the recoverable amount of interests in associates would not cause an impairment loss.

16. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

- (i) On 9 January 2023, Goodway entered into the share subscription agreements with Million Up and Fantastic Adventure, pursuant to which Goodway agreed to subscribe for 250 shares from Million Up and 250 shares from Fantastic Adventure at the consideration of HK\$1,100,000 and HK\$1,400,000 respectively (the “**Share Subscription**”). At the same day, Goodway also entered into share purchase agreements with an independent third party for the sale and purchase of shares in Million Up and Fantastic Adventure, pursuant to which Goodway agreed to purchase 54 shares in the issued share capital of each of Million Up and Fantastic Adventure at the consideration of HK\$200,000 and HK\$300,000 respectively (the “**Share Purchase**”). Completion of the Share Subscription and the Share Purchase took place immediately after the signing of the respective share subscription agreement and share purchase agreement.

Upon completion of the Share Subscription and the Share Purchase, the shareholding held by the Group represents approximately 34% of the total issued share capital of Million Up and Fantastic Adventure respectively.

Million Up has a wholly-owned subsidiary, Yuen Meta (International) Services Limited (“**Yuen Meta Securities**”). Yuen Meta Securities is a company incorporated in Hong Kong with limited liability, which is licensed by the Securities and Futures Commission of Hong Kong (“**SFC**”) to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) and is principally engaged in the provision of financial services, including securities broking, placing and underwriting.

Fantastic Adventure has a wholly-owned subsidiary, Leo Asset Management Limited (“**Leo Asset**”). Leo Asset is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Fantastic Adventure, which is licensed by SFC to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and carries on the business of the provision of financial services, including asset management.

For further details of the Share Subscription and the Share Purchase, please refer to the announcement of the Company dated 9 January 2023.

- (ii) The registered share capital borne by the Group is RMB3,000,000 which was not yet paid up at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

17. CRYPTOCURRENCIES

	XDagger HK\$'000
Reconciliation of carrying amount – year ended 30 June 2023	
At 1 July 2022	–
Additions	1,000
Impairment loss	(6)
At 30 June 2023	994
At 30 June 2023	
Cost	1,000
Accumulated impairment losses	(6)
	994

On 30 October 2022, the Group purchased a total of approximately 8,353,000 units of XDAG (XDagger) on the cryptocurrency trading platform in open market at an aggregate consideration of approximately HK\$1,000,000.

Impairment assessments

The Group carries out annual impairment test for cryptocurrencies with indefinite useful lives by comparing their recoverable amounts to their carrying amounts at the end of each reporting period.

The recoverable amount of the cryptocurrencies are determined based on fair value less costs of disposal. In determining the fair values, the relevant available markets are identified by the Group, and the Group consider accessibility to, and activity within those markets in order to identify the principal cryptocurrency markets for the Group. The fair value of XDagger traded in active markets (such as trading and exchange platforms) is determined based on quoted market prices at the end of the reporting period.

At 30 June 2023, the Group carried out an impairment test for XDagger. Based on the impairment test, the recoverable amount of XDagger was lower than the carrying amount, therefore an impairment loss of approximately HK\$6,000 was recognised in profit or loss by the Group for the year ended 30 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

18. INVENTORIES

	2023 HK\$'000	2022 HK\$'000 (restated)
Finished goods	7,913	6,725

19. CONTRACT COSTS

	2023 HK\$'000	2022 HK\$'000 (restated)
Costs to obtain contracts	1,799	1,675

Costs to obtain contracts relate to incremental commission fees paid to sales representatives as a result of obtaining contracts. The costs are amortised on a straight-line basis over the contract period. During the year ended 30 June 2023, approximately HK\$1,412,000 (2022: *approximately HK\$1,730,000*) has been recognised in profit or loss as selling expenses.

At 30 June 2023, the contract costs that are expected to be recognised in profit or loss as selling expenses after more than 12 months are approximately HK\$905,000 (2022: *approximately HK\$832,000*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

20. TRADE AND OTHER RECEIVABLES

	Notes	2023 HK\$'000	2022 HK\$'000 (restated)
Billed trade receivables			
– Goods and services		19,583	15,587
– Operating lease receivables		2,477	3,607
Less: Loss allowances	31	(369)	(525)
		21,691	18,669
Unbilled trade receivables (Note)			
– Goods and services		5,535	12,104
– Operating lease receivables		2,889	1,775
		8,424	13,879
Total trade receivables	20(a)	30,115	32,548
Other receivables		1,862	711
Refundable deposits		334	581
Prepayments		3,481	2,701
		35,792	36,541

Note: Unbilled trade receivables represent the remaining balances of receivables for services rendered but not yet billed at the end of reporting period.

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 31 to the consolidated financial statements.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)*(a) Trade receivables from third parties*

The Group normally grants credit period of 30 days, from the date of issuance of invoices, to its customers.

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of the reporting period is as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Within 30 days	7,496	4,958
31 to 60 days	2,842	2,919
61 to 90 days	4,176	2,301
Over 90 days	7,177	8,491
	21,691	18,669
Not yet billed	8,424	13,879
	30,115	32,548

At the end of the reporting period, the ageing analysis of the trade receivables, net of loss allowance, by due date is as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Not yet due	15,920	18,837
Past due:		
Within 30 days	2,842	2,919
31 to 60 days	4,176	2,301
61 to 90 days	1,253	2,223
Over 90 days	5,924	6,268
	14,195	13,711
	30,115	32,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

21. CASH AND CASH EQUIVALENTS

	Note	2023 HK\$'000	2022 HK\$'000 (restated)
Pledged bank deposits	21(a)	4,629	4,845
Bank balances and cash		22,000	49,342
		26,629	54,187

(a) *Pledged bank deposits*

Pledged bank deposits are used for securing the interest-bearing borrowing of the Group. At 30 June 2023, pledged bank deposits of approximately HK\$117,000 (2022: approximately HK\$162,000) are held in trust under the name of a director of a subsidiary.

The fixed deposits with licensed banks bearing annual interest rates ranging from 1.75% to 2.85% (2022: 1.0% to 2.1%) during the year ended 30 June 2023.

22. TRADE AND OTHER PAYABLES

	Notes	2023 HK\$'000	2022 HK\$'000 (restated)
Trade payables to third parties	22(a)	4,374	4,677
Contract liabilities	22(b)	12,379	64,583
Other payables			
Other payables	22(c)	14,671	13,950
Accrued expenses		4,482	4,235
Sales and services tax payable		528	509
		19,681	18,694
		36,434	87,954
Current		22,489	73,970
Non-current		13,945	13,984
		36,434	87,954

22. TRADE AND OTHER PAYABLES (CONTINUED)*(a) Trade payables to third parties*

The trade payables are interest-free and with normal credit terms ranging from 30 to 60 days.

At the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Within 30 days	2,980	2,300
31 to 60 days	1,042	433
61 to 90 days	351	336
Over 90 days	1	1,608
	4,374	4,677

(b) Contract liabilities

Contract liabilities related to receipts from customers of subscription fee, network management and security services and network connectivity services based on contract terms and exceed the revenue recognised up to the end of the reporting period.

The Group typically received six months to two years of service fee in advance from customers on acceptance of contracts. The advance payment schemes result in contract liabilities being recognised throughout contracted service period.

The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of contract liabilities from contracts with customers within IFRS 15 during the years ended 30 June 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
At the beginning of the reporting period	64,583	14,707
Receipt of advanced payments	7,571	59,582
Recognised as revenue	(59,058)	(7,166)
Exchange alignment	(717)	(2,540)
At the end of the reporting period	12,379	64,583

At 30 June 2023, the contract liabilities that are expected to be settled after more than 12 months are approximately HK\$4,985,000 (2022: approximately HK\$4,983,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

22. TRADE AND OTHER PAYABLES (CONTINUED)

(c) Other payables

At 30 June 2023, other payables included amount due to a shareholder of HK\$9,000,000 (2022: HK\$9,000,000) which is unsecured, interest-free and repayable on 31 December 2024.

23. INTEREST-BEARING BORROWINGS AND BANK OVERDRAFTS

At the end of the reporting period, the details of interest-bearing borrowings and bank overdrafts of the Group are as follows:

	Notes	2023 HK\$'000	2022 HK\$'000 (restated)
Bank overdrafts – secured	23(a)	5,156	4,861
Interest-bearing borrowings – secured	23(b)	325	412
		5,481	5,273
Current		5,204	4,908
Non-current		277	365
		5,481	5,273

(a) Bank overdrafts – secured

At 30 June 2023, bank overdrafts bear interest at Malaysia Base Lending Rate (“BLR”) plus 1% per annum (2022: BLR plus 1% per annum) and are expected to be settled within 12 months.

23. INTEREST-BEARING BORROWINGS AND BANK OVERDRAFTS (CONTINUED)*(b) Interest-bearing borrowings*

	2023 HK\$'000	2022 HK\$'000 (restated)
Carrying amounts of the above borrowings are repayable:		
Within one year	48	47
More than one year, but not exceeding two years	52	50
More than two years, but not exceeding five years	181	178
Over five years	44	137
	325	412
Less: amounts shown under current liabilities	(48)	(47)
Amounts shown under non-current liabilities	277	365

The interest-bearing borrowings represent amounts due to various banks in Malaysia which are repayable over five years (*2022: over five years*) since its inception. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

At 30 June 2023, interest-bearing borrowings bear interest at BLR plus 1.0% to 1.3% per annum (*2022: BLR plus 1.0% to 1.3% per annum*). The effective interest rate on interest-bearing borrowings at 30 June 2023 is 7.6% (*2022: 7.6%*) per annum.

At 30 June 2023, the interest-bearing borrowings and bank overdrafts are secured by:

- (i) fixed bank deposits of approximately HK\$4,629,000 (*2022: approximately HK\$4,845,000*), as set out in Note 21 in the consolidated financial statements; and
- (ii) corporate guarantee by the Company and a subsidiary of the Group (*2022: corporate guarantee by the Company and a subsidiary of the Group*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

24. LEASES

The Group as lessor

Operating lease

The Group leases certain of its internet services equipment (included in property, plant and equipment) to third parties under operating leases, which generally had an initial non-cancellable lease term of 1 to 3 years. The leases do not include purchase or termination options.

Below is a maturity analysis of undiscounted lease payments to be received from the property, plant and equipment subject to an operating lease.

	2023 HK\$'000	2022 HK\$'000 (restated)
Year 1	5,380	5,903
Year 2	3,884	3,394
Year 3	3,041	3,036
	12,305	12,333

The Group purchased internet services equipment with warranty included to protect it against any loss that may arise from accidents or physical damages.

24. LEASES (CONTINUED)*The Group as lessee***Right-of-use assets**

	Leasehold land and buildings	Motor vehicles	Internet services equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 1 July 2021 (restated)	1,001	3,862	1,372	6,235
Additions	3,041	774	–	3,815
Write-off	(366)	–	–	(366)
Capitalised as property, plant and equipment	–	(1,500)	(1,353)	(2,853)
Exchange alignment	(142)	(162)	(19)	(323)
At 30 June 2022 and 1 July 2022 (restated)	3,534	2,974	–	6,508
Additions	1,444	–	–	1,444
Write-off	(38)	–	–	(38)
Exchange alignment	(238)	(45)	–	(283)
At 30 June 2023	4,702	2,929	–	7,631
Accumulated depreciation				
At 1 July 2021 (restated)	286	1,537	1,372	3,195
Charge for the year	397	929	–	1,326
Write-off	(107)	–	–	(107)
Capitalised as property, plant and equipment	–	(1,500)	(1,353)	(2,853)
Exchange alignment	(24)	(54)	(19)	(97)
At 30 June 2022 and 1 July 2022 (restated)	552	912	–	1,464
Charge for the year	1,576	561	–	2,137
Exchange alignment	(79)	51	–	(28)
At 30 June 2023	2,049	1,524	–	3,573
Net carrying amounts				
At 30 June 2022 (restated)	2,982	2,062	–	5,044
At 30 June 2023	2,653	1,405	–	4,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

24. LEASES (CONTINUED)

The Group as lessee (continued)

	2023 HK\$'000	2022 HK\$'000 (restated)
Lease liabilities		
Current	1,729	1,425
Non-current	2,332	3,297
	4,061	4,722

At 30 June 2023 and 2022, the Group leases various buildings, motor vehicles and internet services equipment for its operation. Lease contracts are entered into for fixed term of more than 1 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has recognised the following amounts relating to leases during the years ended 30 June 2023 and 2022:

	2023 HK\$'000	2022 HK\$'000 (restated)
Interest expenses on lease liabilities	212	120
Depreciation of right-of-use assets	2,137	1,326

The total cash outflow for leases was approximately HK\$1,842,000 (2022: HK\$1,541,000) for the year ended 30 June 2023.

25. DEFERRED TAXATION

The movements in the Group's deferred tax assets (liabilities) for the reporting period were as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
At the beginning of the reporting period	406	493
Credited (Charged) to profit or loss (Note 11)	1,499	(65)
Exchange alignment	(79)	(22)
At the end of the reporting period	1,826	406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2023

25. DEFERRED TAXATION (CONTINUED)

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Contract costs HK\$'000	Contract liabilities HK\$'000	Capital allowances HK\$'000	Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 July 2021 (restated)	(218)	3,530	-	(2,982)	163	493
Credited (charged) to profit or loss	19	(479)	577	(21)	(161)	(65)
Exchange alignment	10	(154)	(20)	144	(2)	(22)
At 30 June 2022 and 1 July 2022 (restated)	(189)	2,897	557	(2,859)	-	406
Credited (Charged) to profit or loss	103	390	1,271	(381)	116	1,499
Exchange alignment	7	(192)	(79)	189	(4)	(79)
At 30 June 2023	(79)	3,095	1,749	(3,051)	112	1,826

At 30 June 2023, the Group had no unused tax losses (2022: approximately HK\$28,373,000) and deductible temporary differences arising from contract liabilities of approximately HK\$12,379,000 (2022: approximately HK\$12,070,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. At 30 June 2023, there is no unused tax losses arising in Malaysia (2022: Nil). At 30 June 2022, the unused tax losses arising in the PRC of approximately HK\$28,373,000 can be carried for another 5 consecutive years of assessment (i.e. from year of assessment 2023 to 2027).

26. SHARE CAPITAL

	Number of shares	HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 July 2021, 30 June 2022 and 30 June 2023	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 July 2021, 30 June 2022 and 30 June 2023	600,000,000	6,000,000

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27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves is set out below:

	Notes	2023 HK\$'000	2022 HK\$'000 (restated)
Non-current assets			
Investments in subsidiaries	14	20,274	21,483
Current assets			
Amount due from subsidiaries		41,336	53,833
Bank balances and cash		6	6
		41,342	53,839
Current liabilities			
Amount due to subsidiaries		8,006	21,031
Net current assets			
		33,336	32,808
NET ASSETS			
		53,610	54,291
Capital and reserves			
Share capital	26	6,000	6,000
Reserves	27(a)	47,610	48,291
TOTAL EQUITY			
		53,610	54,291

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 22 September 2023 and signed on its behalf by

Yu Decai
Director

Hu Mingdai
Director

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)*(a) Movement of the reserves*

	Share premium HK\$'000 <i>(Note 28(a))</i>	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2021 (restated)	89,085	(20,761)	68,324
Loss for the year and total comprehensive loss for the year	–	(20,033)	(20,033)
At 30 June 2022 and 1 July 2022 (restated)	89,085	(40,794)	48,291
Loss for the year and total comprehensive loss for the year	–	(681)	(681)
At 30 June 2023	89,085	(41,475)	47,610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. RESERVES

(a) *Share premium*

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) *Merger reserve*

For the consolidated statement of financial position of the Group and the statement of financial position of the Company, merger reserve represents the aggregate amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the reorganisation, which carried out in the preparation of the listing of the Company's share, and the Company, respectively, less consideration paid to acquire the relevant interests (if any) upon completion of the reorganisation.

(c) *Statutory reserve*

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the "**PRC Subsidiaries**"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

(d) *Exchange reserve*

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries. The reserve is dealt with in accordance with the accounting policies as set out in Note 2 to the consolidated financial statements.

29. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the years ended 30 June 2023 and 2022, the Group had the following transactions with related parties:

Remuneration for key management personnel (including directors) of the Group:

	2023	2022
	HK\$'000	HK\$'000 (restated)
Salaries, discretionary bonus, allowances and benefits in kind	4,982	3,578
Contributions to defined contribution plans	424	273
	5,406	3,851

Further details of the directors' remuneration are set out in Note 9 to the consolidated financial statements.

30. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) *Reconciliation of liabilities arising from financing activities*

Details of the changes in the Group's liabilities arising from financing activities are as follows:

	At 1 July 2022	Net cash flows	Non-cash changes			At 30 June 2023
			Additions	Termination	Exchange alignment	
	HK\$'000 (restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 30 June 2023						
Interest-bearing borrowings	412	(48)	-	-	(39)	325
Lease liabilities	4,722	(1,842)	1,444	(38)	(225)	4,061
Total liabilities from financing activities	5,134	(1,890)	1,444	(38)	(264)	4,386

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30. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities (continued)

	At 1 July 2021 HK\$'000 (restated)	Net cash flows HK\$'000 (restated)	Non-cash changes			At 30 June 2022 HK\$'000 (restated)
			Additions HK\$'000 (restated)	Termination HK\$'000 (restated)	Exchange alignment HK\$'000 (restated)	
Year ended 30 June 2022						
Interest-bearing borrowings	477	(44)	-	-	(21)	412
Lease liabilities	3,214	(1,541)	3,523	(259)	(215)	4,722
Total liabilities from financing activities	3,691	(1,585)	3,523	(259)	(236)	5,134

(b) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statement, the Group has following major non-cash transactions:

During the year ended 30 June 2023, the Group recognised right-of-use assets of approximately HK\$1,444,000 (2022: approximately HK\$3,815,000) and lease liabilities of approximately HK\$1,444,000 (2022: approximately HK\$3,523,000), in which during the year ended 30 June 2022, right-of-use assets includes down payment of approximately HK\$37,000 and trade in payment of approximately HK\$255,000 and none in the year ended 30 June 2023.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise pledged bank deposits, bank balances and cash, interest-bearing borrowings and bank overdrafts and lease liabilities. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings and bank overdrafts with floating interest rates of approximately HK\$5,481,000 (2022: approximately HK\$5,273,000) at 30 June 2023. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of the reporting period.

At the end of the reporting period, if interest rates had been 50 basic point higher/lower and all other variables were held constant, the Group's pre-tax profit would decrease/increase by approximately HK\$27,000 for the year ended 30 June 2023 (2022: pre-tax loss would increase/decrease by approximately HK\$26,000).

The sensitivity analysis above has been determined assuming that the changes in interest rate had occurred throughout the year and had been applied to the exposure to interest rate risk for the closing balance of interest-bearing borrowings and bank overdrafts in existence at the end of the reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the reporting period.

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Year ended 30 June 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other receivables, pledged bank deposits and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Trade and other receivables	32,311	33,840
Pledged bank deposits	4,629	4,845
Bank balances and cash	22,000	49,342
	58,940	88,027

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*Credit risk (continued)***Trade receivables**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 30 June 2023, the Group had a concentration of credit risk as approximately 30% (2022: 26%) of the total trade receivables was due from the Group's largest customers, and approximately 76% (2022: 70%) of the total trade receivables was due from the Group's five largest customers.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at each reporting date and specifically estimated the ECL for each debtor by reference to its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. There was no change in the estimation techniques or significant assumptions made during the years ended 30 June 2023 and 2022.

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Year ended 30 June 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Trade receivables (continued)

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at 30 June 2023 and 2022 are summarised below.

At 30 June 2023

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000	Credit- impaired
Trade receivables					
Not past due	0.00%	15,920	–	15,920	No
1 – 30 days past due	0.00%	2,842	–	2,842	No
31 – 60 days past due	0.00%	4,176	–	4,176	No
61 – 90 days past due	0.00%	1,253	–	1,253	No
Over 90 days past due	5.86%	6,293	(369)	5,924	No
		30,484	(369)	30,115	

At 30 June 2022

	Expected loss rate %	Gross carrying amount HK\$'000 (restated)	Loss allowance HK\$'000 (restated)	Net carrying amount HK\$'000 (restated)	Credit- impaired
Trade receivables					
Not past due	0.00%	18,837	–	18,837	No
1 – 30 days past due	0.00%	2,919	–	2,919	No
31 – 60 days past due	0.00%	2,301	–	2,301	No
61 – 90 days past due	0.00%	2,223	–	2,223	No
Over 90 days past due	7.71%	6,793	(525)	6,268	No
		33,073	(525)	32,548	

The Group does not hold any collateral over trade receivables at 30 June 2023 (2022: Nil).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)*Credit risk (continued)****Trade receivables (continued)***

At 30 June 2023, the Group recognised the loss allowances of approximately HK\$369,000 (2022: approximately HK\$525,000) on the trade receivables. The movement in the loss allowances for trade receivables during the years ended 30 June 2023 and 2022 is summarised below.

	2023	2022
	HK\$'000	HK\$'000 (restated)
At the beginning of the reporting period	525	709
Decrease in allowance	(131)	(154)
Exchange alignment	(25)	(30)
At the end of the reporting period	369	525

Other receivables

The Group considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Impairment on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Group has taken into account the historical actual credit loss experience and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

Pledged bank deposits and bank balances and cash

The management of the Group considers the credit risk in respect of pledged bank deposits and bank balances and cash is minimal because the counter parties are authorised financial institutions with high credit ratings.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000
At 30 June 2023						
Trade and other payables	23,527	23,527	14,527	9,000	-	-
Interest-bearing borrowings and bank overdrafts	5,481	5,588	5,229	73	219	67
Lease liabilities	4,061	4,363	1,890	1,736	737	-
	33,069	33,478	21,646	10,809	956	67
At 30 June 2022 (restated)						
Trade and other payables	22,862	22,862	13,866	-	8,996	-
Interest-bearing borrowings and bank overdrafts	5,273	5,397	4,939	77	233	148
Lease liabilities	4,722	5,118	1,584	1,516	1,760	258
	32,857	33,377	20,389	1,593	10,989	406

32. FAIR VALUE MEASUREMENTS

The carrying amount of the financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period due to the relative short-term maturity of these financial instruments.

33. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners of the Company. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners of the Company or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 30 June 2023 and 2022.

34. CAPITAL EXPENDITURE COMMITMENTS

	2023 HK\$'000	2022 HK\$'000 (restated)
Contracted but not provided for:		
Equity interest of subsidiaries	30,301	17,523

35. SUBSEQUENT EVENT

On 21 August 2023, Mebugs (Shenzhen) and Michong (Wuhan) received an Administrative Order from Yichun City Yuanzhou District People's Court of Jiangxi Province, the PRC ("**Yuanzhou District Court**"), claiming that Yichun City Yuanzhou District Administration for Market Regulation of Jiangxi Province, the applicant, believes that Mebugs (Shenzhen), Michong (Wuhan) and other 10 legal entities, which were independent third parties with the Group "are suspected of pyramid schemes in operation", and applies to Yuanzhou District Court for property preservation, requiring temporary seizure and freezing of certain bank accounts or other equivalent properties under the name of Mebugs (Shenzhen) and Michong (Wuhan). Accordingly, the bank deposits under the name of Mebugs (Shenzhen) and Michong (Wuhan) are seized and frozen.

As advised by the PRC legal adviser of the Group, the business model of Mebugs (Shenzhen) and Michong (Wuhan) shall not be deemed as a pyramid scheme and has applied to the court for reconsideration on the case. The Board of Directors considered that the temporary suspension of the abovementioned bank accounts would not have material adverse effect on the business operations of the Group.

Details please refer to the Company's announcement on 25 August 2023.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Prospectus (restated in HK\$), is set out below:

RESULTS

	2023 HK\$'000	For the year ended 30 June			
		2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2020 HK\$'000 (restated)	2019 HK\$'000 (restated)
Revenue	131,737	112,398	74,836	68,685	78,528
Profit (Loss) before tax	21,274	(37,891)	(1,837)	881	12,564
Income tax (expenses) credit	(992)	(302)	(2,538)	(2,080)	3,656
Profit (Loss) for the year	20,282	(38,193)	(4,375)	(1,199)	16,220

ASSETS AND LIABILITIES

	2023 HK\$'000	For the year ended 30 June			
		2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2020 HK\$'000 (restated)	2019 HK\$'000 (restated)
Total assets	120,249	153,858	130,459	127,875	95,432
Total liabilities	45,976	(97,949)	(32,969)	(29,269)	(36,152)
Total equity	74,273	55,909	97,490	98,606	59,280