

ISP Global Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8487

ANNUAL REPORT
2022/23

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cao Chunmeng (Chairman)
Mr. Han Bing (redesignated as
Chief Executive Officer on 31 October 2022)
Ms. Choon Shew Lang (retired from
Chief Executive Officer on 31 October 2022)
Mr. Mong Kean Yeow
Mr. Yuan Shuangshun

NON-EXECUTIVE DIRECTOR

Mr. Qiu Yingming (appointed on 1 March 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Chi Wai
Mr. Yan Xiaotian
Mr. Zheng Xiaorong (appointed on 1 July 2022)
Dr. Cai Rongxin (resigned on 1 July 2022)

AUDIT COMMITTEE

Mr. Tang Chi Wai (Chairman)
Mr. Yan Xiaotian
Mr. Zheng Xiaorong (appointed on 1 July 2022)

REMUNERATION COMMITTEE

Mr. Yan Xiaotian (Chairman)
Mr. Tang Chi Wai
Mr. Han Bing (appointed on 31 October 2022)
Ms. Choon Shew Lang (retired on 31 October 2022)

NOMINATION COMMITTEE

Mr. Cao Chunmeng (Chairman)
Mr. Yan Xiaotian
Mr. Zheng Xiaorong (appointed on 1 July 2022)

COMPANY SECRETARY

Mr. Chan Kwok Wai (appointed on 31 October 2022)
Mr. Chung Man Wai, Stephen
(resigned on 31 October 2022)

AUTHORISED REPRESENTATIVES

Ms. Choon Shew Lang
Mr. Chan Kwok Wai (appointed on 31 October 2022)
Mr. Chung Man Wai, Stephen
(resigned on 31 October 2022)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

Suite 4302, 43/F., Central Plaza, 18 Harbour Road,
Wanchai, Hong Kong (effective from 6 January 2023)

PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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#01-39 LINK@AMK
Singapore 569139

HONG KONG LEGAL ADVISER

Guantao & Chow Solicitors and Notaries
Suites 1801-03, 18/F
One Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point, Hong Kong

AUDITOR

Moore CPA Limited
(Formerly, Moore Stephens CPA Limited)
Certified Public Accountants and
Registered Public Interest Entity Auditor
801-806, Silvercord, Tower 1
30 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL BANK

Industrial and Commercial Bank of China (Asia) Limited

COMPANY'S WEBSITE

www.ispg.hk

STOCK CODE

8487

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the “**Board**”), I am pleased to present the annual report of ISP Global Limited for the year ended 30 June 2023 (the “**Year**”).

OVERVIEW

During the Year, the spread of the Novel Coronavirus (“**COVID-19**”) has substantially ended globally, but the impact on the global economy and the post-epidemic economic growth and declining consumption trends continue to adversely impact the Group's business. However, the Group managed to substantially increase its operational revenues with the efforts of all the Group's employees.

The Group has two major business segments: (i) e-commerce operation; and (ii) sale and provision of integrated services of networking, sound and communication systems.

The revenue of the Group increased from approximately RMB95.5 million for the year ended 30 June 2022 to approximately RMB209.8 million for the Year, representing an increase of approximately RMB114.3 million or 1.2 times. Such significant increase was mainly due to the increase in revenue contribution from rapid growth of the e-commerce operation business of approximately RMB118.0 million for the Year compared with last financial year.

Business of e-commerce operation

The Group constantly optimizes its business system, service brands and operation team while building on its existing e-commerce operation business. As at 30 June 2023, the Group had established close cooperation relationships in e-commerce operation services and digital marketing services with Philips Water Purifier, Philips Audiovisual, Guoweikang (果維康), Changhong, Dongwangyang (東望洋), ASUS, Xiaogou, Autohome, Great Wall Motor and other brands, and set up 22 shops on mainstream e-commerce platforms such as Tmall, JD.com, Pinduoduo and Youzan. The e-commerce operation business has also formed a major business system of the Group.

Business of sale and provision of integrated services of networking, sound and communication systems

The Group considers this traditional business of the Group in Singapore as a stable business and ensures its steady development despite the impact of the epidemic and the global economic landscape.

As COVID-19 evolves into an endemic in Singapore, the Group continues to enter into maintenance and other service contracts for sound and communications system solutions as part of our effort to maintain direct stakeholding relationships with institutions in the healthcare and education sectors. The Group also seeks to leverage the projected rebound of construction demand in Singapore, led by public sector projects, by tapping our expertise in the tender for public sector projects. The Group is well-placed to provide innovative sound and communications systems solutions in support of the evolving education communication landscape and the projected increased healthcare capacities in Singapore.

CHAIRMAN'S STATEMENT

The business in the People's Republic of China (the "PRC") has operated in fields such as railway, finance and aviation for years, and possesses ample experience in offering integrated services for IT equipment and systems, IT technical services and operation and maintenance services to data hub facilities of large and medium-sized state-owned enterprises. During the Year, we obtained various networking system integration projects such as the China-Laos Railway, the Jakarta-Bandung Railway and the China Academy of Railway Sciences, which strengthened the Group's presence and profile in the railway industry. The Group will proactively tap into other customers in the railway and banking industries in the future while serving key railway, aviation and banking customers, so as to boost its influence in industry segments by leveraging experience gained in one field and applying it to other areas. Meanwhile, we will continue to enhance service capacities and price negotiation ability with upstream network equipment suppliers and incessantly boost operational efficiency and gross profit margin of the business.

The adverse impact of the epidemic represented a year of both challenges and opportunities for the Group. As the epidemic came to an end globally, we have to face the post-epidemic era with uncertainties in economic development and pressure from competition in the market. Undaunted by the difficulties, the management and employees of the Group collectively rose to the challenge together to seek opportunities in challenges, to seek certainty amid uncertainty, and to work together to achieve sustainable growth in business revenue.

The Board will continue to focus on shareholder value and create value for all parties, including shareholders, suppliers, customers and employees, through team building, business expansion, cost savings and efficiency enhancement.

APPRECIATION

On behalf of the Board, let me take this opportunity to extend our heartfelt gratitude to our shareholders, business partners, customers, and employees for your continuous support and contribution to the Group. We are committed to delivering value to all our stakeholders.

Cao Chunmeng

Chairman

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cao Chunmeng (曹春萌) (“Mr. Cao”), aged 51, is the chairman, an executive Director and one of our substantial shareholders of the Company. Mr. Cao was appointed as our non-executive Director on 22 January 2021 and was redesignated as an executive Director on 1 January 2022, and, appointed as the chairman of the Board (the “**Chairman**”), and chairman of the nomination committee of the Company (“**Nomination Committee**”) on 4 March 2022. He graduated from Shandong University in China with his bachelor’s degree in computer science in 1994 and he obtained the master degree in business administration from Peking University in 2006. Mr. Cao had worked for Shandong Branch of Industrial and Commercial Bank of China Limited, Jinan Xiande Technology Limited* (濟南先得科技有限公司), Fengyuanxin (China) Technology Limited* (豐元信(中國) 科技有限公司), Zongheng Tiandi (Beijing) Information Technology Limited* (縱橫天地(北京) 信息技術有限公司), Beikong Easycode (Beijing) Technology Limited* (北控易碼通(北京) 科技有限公司) and Commercial Bank Rongtong (Beijing) Investment Consulting Limited* (商銀融通(北京) 投資諮詢有限公司). Mr. Cao joined China Youzan Limited (formerly known as China Innovationpay Group Limited, a company which is listed on GEM of the Stock Exchange (stock code: 8083)) for the period from March 2011 to December 2021. Mr. Cao has been appointed as an executive director and chief executive officer of China Youzan Limited in July 2012 and he has been redesignated to become executive director and president of China Youzan Limited in May 2018 until his resignation. Mr. Cao has also been appointed as a director of Haier Consumer Finance Co., Ltd.* (海爾消費金融有限公司), one of the subsidiaries of Haier Group from December 2014 to December 2022. Mr. Cao has more than 20 years extensive management experiences in the financial information technology industry.

Ms. Choon Shew Lang (莊秀蘭), aged 54, is our executive Director, chief executive officer and compliance officer of our Company. Ms. Choon was appointed as a Director on 21 July 2017 and was redesignated as an executive Director on 14 December 2017. Ms. Choon is the co-founder of ISPL Pte Ltd (“**ISPL**”) and has been a director of that company since 22 July 2002. She is also a member of the remuneration committee of the Company (“**Remuneration Committee**”). Ms. Choon is responsible for overseeing the sales and contract department and administrative and account department of our Group. Ms. Choon obtained a diploma in electronics and communication engineering from Singapore Polytechnic and was awarded the management diploma in sales and marketing from Temasek Polytechnic in May 1989 and August 1993 respectively.

Mr. Mong Kean Yeow (蒙景耀), aged 55, is an executive Director. He was appointed as a Director on 21 July 2017 and was redesignated as an executive director on 14 December 2017. Mr. Mong also served as the Chairman and chairman of the Nomination Committee from 14 December 2017 to 31 December 2021. Mr. Mong is the co-founder of ISPL and has been a director of that company since 22 July 2002. Mr. Mong is responsible for the overall strategic planning and the daily operation of our Group including managing key customer relationship. Mr. Mong has approximately 19 years of experience in sound and communication industry. Mr. Mong was responsible for new business development and managed the project planning and implementation process. Mr. Mong obtained a diploma in electronics and communication from Singapore Polytechnic and a management diploma in sales and marketing from Temasek Polytechnic in May 1989 and August 1993 respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yuan Shuangshun (袁雙順) (“Mr. SS Yuan”), aged 52, was appointed as our independent non-executive Director on 1 August 2020 and was subsequently redesignated to an executive Director on 22 March 2021. He obtained a master of economics from Guangdong Academy of Social Sciences (廣東省社會科學院研究生院) in 2002. Prior to joining the Company, Mr. SS Yuan has been the executive director of China All Nation International Holdings Group Limited (formerly known as KSL Holdings Limited) (stock code: 8170, the shares of which is listed on GEM) for the period from December 2017 to February 2021 and Mr. SS Yuan has been the vice president at Shenzhen Right & Sun Investment Holding Co. Ltd (深圳瑞華信投資有限責任公司) for more than 12 years. Mr. SS Yuan has extensive experiences in investment, private equity, corporate finance and capital markets.

Mr. Han Bing (韓冰) (“Mr. Han”), aged 51, was appointed as our executive Director on 1 September 2021. He graduated from Southeast University in China with bachelor degree in communication engineering and industrial foreign trade in 1994. Mr. Han has over 21 years of extensive experiences in retails and supply chain management through his working experiences in worldwide well known conglomerates such as B&Q and IKEA. Mr. Han currently serves as a director of Global Sourcing Supply Chain Management (Shanghai) Co., Ltd. and Outing Technology (Shanghai) Co., Ltd, which are indirectly owned subsidiaries of the Group.

NON-EXECUTIVE DIRECTOR

Mr. Qiu Yingming (邱映明) (“Mr. Qiu”), aged 39, was appointed as our non-executive Director on 1 March 2023. He graduated from Universidad Católica San Antonio de Murcia in Spain with his bachelor’s degree in business administration in 2022 who specialises at executive leadership, strategic business management, business negotiation and economics. Prior joining to the Group, Mr. Qiu had gained about 5 years working experiences by being the President of Sky Pro Creation Limited (天寶恒通有限公司) and Shenzhen Cupid Beauty Technology Co., Ltd.* (深圳市丘比特美容科技有限公司), respectively. Mr. Qiu has been generally responsible for presiding over the management of the company comprehensively, formulating annual performance objectives and business development strategy for both companies while Mr. Qiu would also involve research and development and sales of beauty technology products in Shenzhen Cupid Beauty Technology Co., Ltd.* (深圳市丘比特美容科技有限公司).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zheng Xiaorong (鄭曉嶸), aged 39, was appointed as our independent non-executive Director and a member of each audit committee of the Company (“**Audit Committee**”) and Remuneration Committee with effect from 1 July 2022. He holds a bachelor degree of commerce from the University of Auckland in 2011. Mr. Zheng has over 18 years of extensive experiences working in financial services and banking industry in New Zealand and Hong Kong with deep understanding of local and global financial markets and regulatory requirements. Mr. Zheng has been working in KVB Kunlun Group (“**KVB**”) since 2011 and he has significant and proven experiences in foreign exchange markets, dealing exposure management and hedging strategy. Throughout the years of working within KVB, Mr. Zheng had also demonstrated with his proven ability to enhance relationships across a range of stakeholders, including but not limited to internal colleagues or board members as well as corporate clients, regulators, media and other banking counterparties externally. Mr. Zheng was also involved to develop and implement governance and risk frameworks for KVB Capital Markets Limited to meet the licence requirements of a licenced corporation of leveraged foreign exchange trading under the requirements of Securities and Futures Ordinance between late 2016 and late 2020. Mr. Zheng is currently serving as a Director, Global Markets at Bank of China (New Zealand) Limited since 4 October 2021, who is responsible for the developing and marketing of transactional banking businesses with all those related banking products shall be in full compliance with relevant rules, regulations and the internal policies of Bank of China Group as well as enhancing internal workflow processing in accordance with local market practices that would eventually promote quality services to clients. Mr. Zheng has also been the non-executive director of KVB group companies situated in New Zealand and Hong Kong, respectively, since 1 January 2022.

Mr. Yan Xiaotian (閻曉田), aged 63, was appointed as our independent non-executive Director on 27 November 2020. He has obtained his master degree in economics from Graduate School of the Financial Research Institute of the People’s Bank of China in 1986 (which was then merged with Tsinghua University and known as PBC School of Finance, Tsinghua University since 2012) and is a senior economist. Mr. Yan has over 30 years of extensive experiences in economic, financing and management. Mr. Yan served as the president of the head office of Bank of China Limited, the vice president of the Guangzhou branch of CITIC Bank Corporation Limited (formerly known as CITIC Industrial Bank Limited), the general manager of CITIC Securities Co., Ltd. (Guangzhou), and a director and an executive president of South China International Leasing Co., Ltd. Mr. Yan was an executive director of China Youzan Limited (formerly known as China Innovationpay Group Limited, a company which is listed on GEM of the Stock Exchange (stock code: 8083)) for the period from December 2014 to February 2021, an independent non-executive director of Renaissance Asia Silk Road Group Limited (formerly known as China Billion Resources Limited), a company which is listed on the Main Board of the Stock Exchange (stock code: 274) from October 2019 to February 2022, and, an independent non-executive director of Prosperity International Holdings (HK) Limited from October 2019 to June 2021, a company which was formerly listed on the Main Board of the Stock Exchange (stock code: 803), and, an independent director of Dagang Holding Group Ltd. (達鋼控股股份有限公司) since December 2020, a company which is listed on the Shenzhen Stock Exchange (stock code: 300103.SZ). Mr. Yan is currently an independent non-executive Director of Wealthking Investments Limited since April 2022, a company which shares are listed on GEM of Stock Exchange (stock code: 1140).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang Chi Wai (鄧智偉), aged 50, was appointed as our independent non-executive Director on 14 December 2017. He is the chairman of the Audit Committee and a member of the Remuneration Committee. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Tang has over 20 years of experience in auditing and accounting. Mr. Tang has been serving as a financial controller, company secretary and authorised representative of Universal Technologies Holdings Limited (stock code: 1026, the shares of which is listed on the Main Board of the Stock Exchange) since June 2008. Mr. Tang has been responsible for financial and accounting functions as well as secretarial and compliance related matters of the aforesaid company. Mr. Tang has been an independent non-executive director of (1) Century Group International Holdings Limited (formerly known as Cherish Holdings Limited) (stock code: 2113, the shares of which is listed on the Main Board of the Stock Exchange) for the period from September 2016 to October 2021, (2) Xin Point Holdings Limited (stock code: 1571, the shares of which is listed on the Main Board of the Stock Exchange) since June 2017 and (3) Noble Engineering Group Holdings Limited (stock code: 8445, the shares of which is listed on GEM) since September 2017.

Mr. Tang was appointed as the honorary president of North Kwai Chung District Scout Council of Scout Association of Hong Kong in June 2019.

Mr. Tang graduated from The Hong Kong Polytechnic University with a bachelor of accountancy in November 1996. He has been a practising Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since April 2001 and a Certified Internal Auditor of the Institute of Internal Auditors since November 2015. Mr. Tang has also been a holder of the Practitioner's Endorsement from The Hong Kong Chartered Governance Institute (formerly known as: The Hong Kong Institute of Chartered Secretaries) since August 2015.

Professional qualifications	Dates of admission
Member of Chinese Institute of Certified Public Accountants	September 2003
Fellow of The Association of Chartered Certified Accountants	January 2005
Fellow of The Hong Kong Institute of Certified Public Accountants	September 2009
Fellow of The Taxation Institute of Hong Kong	July 2010
Fellow of The Chartered Governance Institute (formerly known as: The Institute of Chartered Secretaries and Administrators)	July 2015
Fellow of The Hong Kong Chartered Governance Institute (formerly known as: The Hong Kong Institute of Chartered Secretaries)	July 2015
Fellow of The Hong Kong Institute of Directors	April 2015
Fellow of The Hong Kong Investor Relations Association	July 2016

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Goh Boon Pan (吳文平), aged 52, is the senior manager of our Company. Mr. Goh joined our Group in July 2015 and has been responsible for the management, design and implementation of our projects. Mr. Goh also oversees and manages the engineer and technician team of our Group. Mr. Goh has accumulated approximately 18 years' experience in project management. Prior to joining our Group, he worked in ISPL Service Centre from August 2002 to June 2015 as senior project manager and in Intellilink Systems Pte Ltd (now known as Intellilink Systems Pte Ltd) from September 2000 to July 2002 as a project engineer.

Mr. Goh obtained a diploma in electronics, computer and communication engineering from Singapore Polytechnic in May 1997.

Mr. Heng Yew Chong Benedict (王僂仲), aged 32, is the financial controller of our Company. Mr. Heng joined our Group in June 2017 and has been responsible for the accounting and finance matters of our Group. Mr. Heng is experienced in the fields of auditing, accounting and financial management. Prior to joining our Group, Mr. Heng worked for Ernst & Young LLP from August 2014 to June 2017, his last position held was an audit senior.

Mr. Heng obtained his bachelor of accountancy degree with a second specialisation in business law from Nanyang Business School, Nanyang Technological University in June 2014. Mr. Heng has been a member of the Institute of Singapore Chartered Accountants since September 2017. Mr. Heng obtained his Masters in Business Administration from Institut Européen d'Administration des Affaires in July 2020.

COMPANY SECRETARY

Mr. Chan Kwok Wai (陳國威), is a member of Hong Kong Institute of Certified Public Accountants. He is an associate member of each of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He has over 12 years of experience in the professional field of accounting, audit and corporate governance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

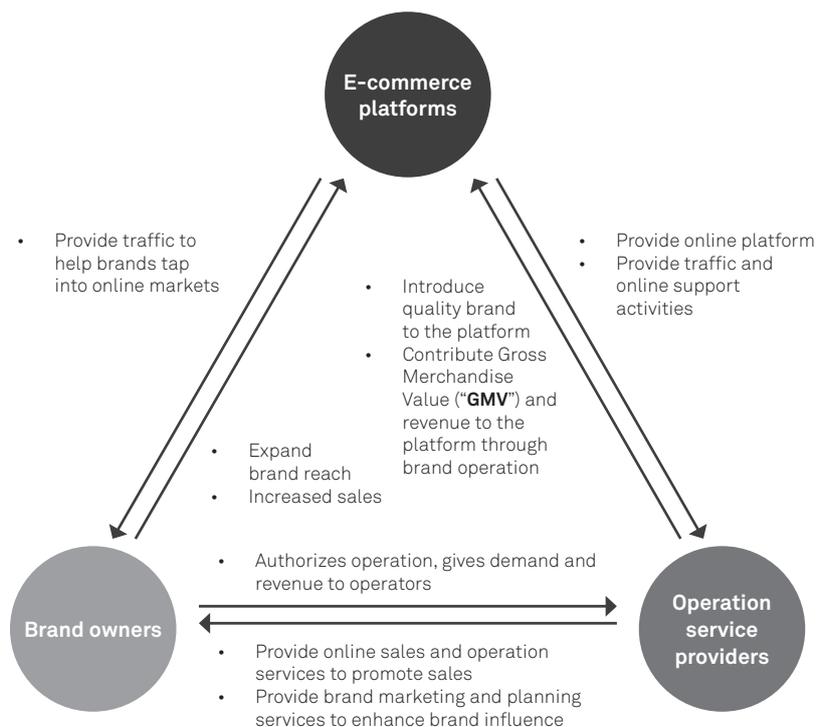
Outlook of E-commerce in the People's Republic of China (the "PRC")

Overview of China's Brand E-commerce Service Market

Brand e-commerce operation refers to third-party services provided to brand owners, mainly including brand market analysis, marketing and promotion, online store operation, consumer management, customer service and warehousing logistics services.

With professional operating experience, brand e-commerce operation service providers can help brand clients to promote brand culture and improve customer experience, carry out promotional activities through diversified online distribution channels to expand customer base, and constantly optimise marketing strategies based on accurate consumer analysis, so as to ultimately enhance their brand influence.

As a link between brand owners, e-commerce platforms and consumers, brand e-commerce operation service providers create value for all parties in the industry chain. With the increasing importance of online sales channels, operation service providers have gradually built a dynamic and beneficial ecosystem with brand owners and e-commerce platforms.



MANAGEMENT DISCUSSION AND ANALYSIS

Brand owners enter e-commerce platforms to explore online sales channels and tap into the traffic resources of e-commerce platforms; aided by the professional operation of e-commerce operation service providers, brand owners fully reach target customers and continuously improve the conversion rate which would in turn ultimately increase sales of products for the brands. Brand operation service providers cater to needs of the brand owners, obtain authorization, and generate business revenue through operations. E-commerce platforms, while providing traffic platforms for brand owners and operating service providers, benefit from them in turn. In expanding online channels for brand owners, operation service providers also bring premium brands to the platform, thereby enhancing the reputation and traffic of the platform. The gross merchandise volume that operation service providers help brand owners create is also an important support for the platform's transaction volume. Therefore, operation service providers play an indispensable role in promoting the ecological prosperity of the platform.

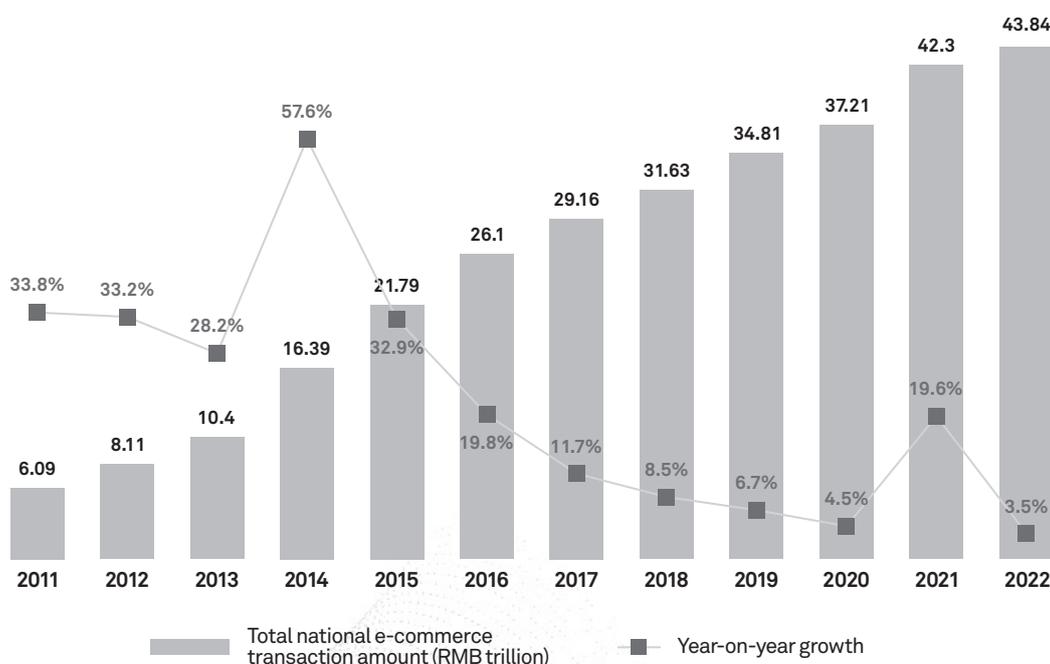
Industry overview of brand E-commerce Service Market in the PRC

The rapid growth of e-commerce in China opens up vast market space for the development of the brand e-commerce service market

Brand e-commerce operation service is a service industry that grows with the development of e-commerce in the PRC. It proliferates with the rapid growth and deeper penetration of the e-commerce industry in the PRC. According to the 2023 China Branding E-Commerce Service Provider Industry Research Report of iiMedia Research, the size of the brand e-commerce service market in the PRC reached RMB366.32 billion in 2022, representing a year-on-year increase of 24.1%. It is expected to reach RMB482.16 billion in 2025.

According to the Ministry of Commerce's Report on E-commerce in China and Report on Development of the Online Retail Market, China's national e-commerce transaction amount in 2022 was RMB43.84 trillion, representing a year-on-year increase of 3.5%.

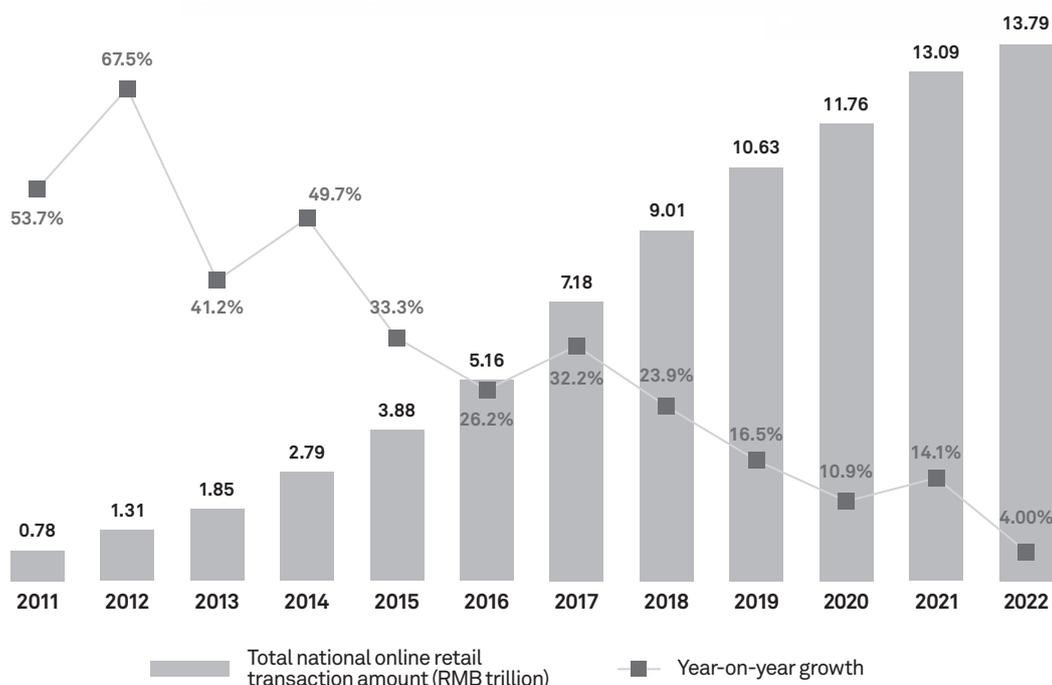
China's Total E-commerce Transaction Amount in 2011-2022



MANAGEMENT DISCUSSION AND ANALYSIS

Amid the impact of the epidemic and the complex economic environment, China's online retail market maintained steady growth and the scale of the market reached a new high. In 2022, national online retail sales reached RMB13.79 trillion, representing a year-on-year increase of 4%. The contribution of online retail to the consumer market saw a continuous increase, and online retail sales of physical goods in 2022 was RMB11.96 trillion, representing a year-on-year increase of 6.2% and accounting for 27.2% of the total retail sales of consumer goods in society, increasing by 2.7 percentage points compared with the share of 24.5% in 2021. China has been the largest global online retail market for ten consecutive years. With online retail sales of physical goods accounting for over one quarter of the total retail sales of consumer goods in society, e-commerce has become one of the main consumption channels for Chinese residents.

China's Total Online Retail Transaction Amount in 2011-2022



MANAGEMENT DISCUSSION AND ANALYSIS

The e-commerce service industry is a service industry that has gradually emerged with the development of e-commerce. It is a general term for various professional services provided for the development of e-commerce activities. According to the classification of the e-commerce service industry in the 2022 Report on E-commerce in China issued by the Ministry of Commerce, the e-commerce service industry includes three categories: transaction services, support services and derivative services, of which transaction services mainly include business-to-business transaction services, business-to-consumer transaction services and consumer-to-consumer transaction services, with e-commerce platforms as the main entities. Support services mainly include electronic payment services, logistics services and information technology services; while derivative services refer to various special services, such as e-commerce operation services, e-commerce brand services, e-commerce consultation services, e-commerce education and training services and e-commerce security services. The report shows that China's e-commerce service industry continued to maintain steady growth in 2022, with further expansion in the scale of the market. The size of the annual revenue of the e-commerce service industry was RMB6.79 trillion, representing a year-on-year increase of 6.1%, of which the business scale of derivative services was RMB2.75 trillion, growing by 5.8%. It can be seen that the rapid growth of the online retail market has driven the growth of China's e-commerce service industry. Meanwhile, it has also given the e-commerce support service market, mainly comprising e-commerce operation services, a broad market space and speedy growth.

The vigorous development of cross-border e-commerce has generated more demand for e-commerce operation from international brands

For foreign brand owners, factors such as complicated rules for e-commerce operation in China, large differences between online and offline markets, limited capacity for devoting attention to operation and low cost-effectiveness of proprietary operation have prompted foreign brands to become more willing to acquire e-commerce operation services.

According to the statistics of China's General Administration of Customs, China's total cross-border e-commerce imports and exports exceeded RMB2 trillion for the first time in 2022, reaching RMB2.1 trillion, representing an increase of 7.1% compared with 2021. In 2022, China's cross-border e-commerce imports and exports accounted for 4.9% of the total national goods trade imports and exports, which remained mostly unchanged compared with 2021. Specifically, exports amounted to RMB1.53 trillion, representing an increase of 10.1% and accounting for 6.4% of China's total exports; and imports amounted to RMB528.7 billion, representing a decrease of 0.8% and accounting for 2.9% of China's total imports. Taking into account the impact of the epidemic on imports and exports, it can be seen that the Chinese market remains strongly attractive to international brands. As international brands lack an understanding of the Chinese market, the demand for e-commerce operation services is more pressing. The development of cross-border e-commerce will certainly promote the market growth of e-commerce operation services.

The rise of live streaming e-commerce and social e-commerce provides branded e-commerce operators with new market growth opportunities

Amid the sluggish growth of traditional e-commerce traffic, innovative online consumption models such as social e-commerce and live streaming e-commerce, can meet the diversified needs of consumers and have become a crucial element of online consumption. Social e-commerce operators, such as Pinduoduo, Xiaohongshu and Youzan, have produced efficient multi-node exchanges in social e-commerce between individual merchants, individual users as well as between both merchants and users, effectively triggering the consumption potential of consumers. In addition, the COVID-19 epidemic has fully triggered live streaming marketing, and the live streaming industry has entered a stage of broad popularity and development. Short videos, live streaming and e-commerce are mutually beneficial, and platforms such as Kuaishou and Douyin have become strongholds for e-commerce traffic.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the 2022 China E-commerce Market Data Report published by the E-commerce Research Center, the market size of China's live-streaming e-commerce reached RMB3.5 trillion in 2022, representing a year-on-year increase of 48.12%. For social e-commerce, the market size reached RMB2.76 trillion, representing a year-on-year increase of 9.17%.

While social e-commerce and live-streaming e-commerce have become essential channels for brand marketing diversification, the new e-commerce model has also increased the complexity of e-commerce operation, such as the interactions between brand owners and institutions, including but not limited to the content platforms, key opinion leaders, multi-channel networks, and the use of paid tools of platforms to precisely reach target customers, capture consumer demand preferences and changes and quickly identify and profile consumers. All of the above have brought great challenges to brands and thus the value of professional services for e-commerce operators has become increasingly prominent.

Prospect of the business of E-commerce Operation of the Company

The business of e-commerce operation is one of the diversified business lines newly developed by the Company since the end of 2020. As at the date of this report, it has established a complete operation team and achieved a certain scale in its operation. Currently, brands that the Company is operating and has newly added include domestically and internationally renowned brands such as Philips, ASUS, BISSELL, THERASCIENCE, Guiwei C (果維康), Choi Heong Yuen (咀香園), Padaria da Guia, TCL, Changhong, Puppy Electronic Appliances, Junlebao, Autohome and ECOVACS.

In terms of brand expansion, we will continue to focus on introducing relatively matured and renowned brands at home and abroad in order to ensure a high-speed growth of our operation business in addition to the consolidation of existing cooperative brands.

We will (1) continue to focus on the JD.com platform by strengthening close cooperation with various industry sectors of JD.com; (2) cooperate with Tmall, Taobao and Pinduoduo at the same time; (3) strengthen the operation capacity of social e-commerce operators such as Youzan through the introduction of strategic partners with ample private domain traffic. The cooperation with China Comfort Tourism and Ctrip is proceeding in an orderly manner. The Company will also continue to invest in and strive to create new business growth engines in private domain traffic operations; (4) continue to explore live streaming e-commerce business for offering e-commerce operation services across all channels to brands. During the year ended 30 June 2023 ("Year"), the Company has been in the process of cooperating with Philips, ASUS, and Under Armour on live broadcast and live commerce; and (5) enhance store operation capabilities and back-end management capabilities through talent acquisition strategies.

As regards the establishment of operation systems, we will consolidate our teams by enhancing the structure of the front office, middle office and back office, and continuously boost operational capability and efficiency of our teams through talent recruitment and internal training.

We firmly believe that China and the rest of the world will gradually emerge from the pandemic and return to normal. In addition, a solid operating foundation has been established for the e-commerce operation business. We are optimistic that the e-commerce operation business will see rapid growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook of sale and provision of integrated services of networking, sound and communications system solutions industry in Singapore and Malaysia

As a developed country with an aging population, Singapore continues to face the challenges of higher impact of chronic disease and of increasing medical infrastructure utility rates. Being one of the countries which spends most annually in healthcare on a per capita basis amongst member countries in the Association of South East Asian Nation (“**ASEAN**”), the Singapore’s Ministry of Health expects Singapore’s national health expenditure to increase to S\$43 billion in 2030. Therefore, we continue to monitor the public and private healthcare infrastructure plans in existing markets and participate in requests for proposal in both private and public tenders.

We continue to look for opportunities to work together with potential and existing customers to expand our sales pipeline through the introduction of cloud-based network solutions to enhance both wired and wireless communication systems within healthcare institutions. During the Year, we expanded our product offerings to include medical beds and continue to explore potential integrations within our strong business network in Singapore.

We stand ready and are committed to serving our clients in the education, private healthcare and public housing sectors. Through iterative and constructive feedback from our stakeholders, we continue to create value for our clients through constant innovation and integration with existing or new systems to formulate the relevant solution to address the end-users’ needs.

The Malaysian Hospital Market, valued at US\$6.8 billion in the year 2021, is anticipated to grow at a compound annual growth rate (“**CAGR**”) of 7.0% during the forecast period of 2023 to 2027. In potential growth markets such as Malaysia, we expect the rapid growth to require significant investments from both the public and private sectors, therefore, we continue to work closely with our strategic business partners in both East and West Malaysia to promote our customised solutions to our clients serving the public and private healthcare sector.

Although the global electronics downturn is likely to be protracted and costly to our operations, we continue to optimise utilisation of existing resources to continue capital efficient growth in our existing markets. In line with increased cost competitiveness in the Network, Sound and Communication Systems and Solutions industry in Singapore and Malaysia, the Group will focus our resources on projects which will benefit the most to our stakeholders. We expect to retain our competitive edge in the Singapore market in the public and private healthcare sector and continue to grow our presence in other high growth markets such as Malaysia private healthcare sector.

In the face of general challenges such as looming recession risks and higher interest rates, we believe that with our healthy level of project and maintenance pipeline, we are poised to continue to create and share value amongst the stakeholders in our industry chain, through building mutually beneficial relationships.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook of sale and provision of integrated services of networking, sound and communication systems in the PRC

The Chinese government sets “Accelerating Digitalization and Building Digital China” as a separate chapter in the 14th five-year plan, proposing to “transform the pattern of production, lifestyle, and governance models through digital transformation”. Digital economy and digital transformation will become important strategies and development drivers for China in the coming years.

In February 2023, the Chinese government promulgated the “Plan for the Overall Layout of Building a Digital China”, which pointed out that building a digital China is an important engine for promoting Chinese-style modernization in the digital age. The plan stipulates that the construction of digital China will be carried out in accordance with the “2522” overall framework. The promulgation of this plan by the Chinese government will surely lead to the development of China’s digital economy.

It is anticipated that the Chinese government will speed up the construction of digital infrastructure represented by data centers and intelligent computing centers. According to China’s Digital Transformation Market Forecast, 2021-2026: Practicing a Digital Priority Strategy through Application Scenarios, a study report published by IDC in June 2022, it is forecasted that the Chinese government’s total investment in digital economy during the 14th Five-Year Plan period will reach RMB15-20 trillion, with the government and large and medium state-owned enterprises accounting for 70% of digital transformation spending.

In view of China’s national strategic planning and the instrumental role of “data centers and computing centers” and other digital infrastructure, the provision of IT system integration services, IT technical services and operation and maintenance services for large and medium state-owned enterprises revolving around “data centers” will be a market with great potential and size.

During the reporting period, we obtained various projects of networking system integration in the railway industry, which has become a key driver of the Group’s business. As railway has become an important industry in respect of China’s infrastructure construction, railway construction is also an industry where the Group endeavours to deepen and expand the business of networking system integration. In addition, during the reporting period, the Company also obtained several projects in the financial industry, including BOC Services, Chongqing Rural Commercial Bank, and other banking clients, and has made progress in the financial industry.

The Company has developed its industry positioning as “an overseas networking system integrator serving the railway industry” and constantly develops its overseas networking system integration projects in the railway industry based thereon. We are confident that we will obtain more overseas projects in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our principal businesses are:

- (i) Sale and provision of integrated services of networking, sound and communication systems, which includes (1) the sale of networking, sound and communication systems; and (2) provision of integrated services of networking, sound and communication systems and alert alarm system services, includes installation and customisation of networking, sound and communication systems and technical support services to customers in Singapore, Malaysia and the PRC; and
- (ii) provision of e-commerce operation services (including digital marketing services, online agency operation services, online retailing and distribution services) in the PRC.

For the Year, the Group recorded revenue of approximately RMB209.8 million representing an approximately RMB114.3 million increase in revenue from approximately RMB95.5 million for year ended 30 June 2022. The increase was mainly due to the contribution from business diversification. The Group recorded a total comprehensive loss attributable to the owners of the Company of approximately RMB20.1 million, representing a decrease of RMB1.9 million compared with total comprehensive loss attributable to owners of the Company of approximately RMB22.0 million for the year ended 30 June 2022. The following table sets forth the breakdown of our revenue by segment for the years indicated:

	For year ended 30 June	
	2023	2022
	RMB'000	RMB'000
<i>Revenue from:</i>		
Sale and provision of integrated services of networking, sound and communication systems	80,453	84,100
E-commerce operation	129,354	11,369
	209,807	95,469

Sale and provision of integrated services of networking, sound and communication systems (the "NSC Segment")

Our revenue generated from the NSC segment was approximately RMB80.5 million and RMB84.1 million for the years ended 30 June 2023 and 2022, respectively, which represents approximately 38.3% and 88.1% of our total revenue for the same period, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the NSC segment decreased by approximately 4.3% as certain contracts with large value contract sums were completed in the prior financial year. For the years ended 30 June 2023 and 2022, the number of contracts completed increased from 103 to 196; and we won the bids of 26 projects in railway, financial and other industries in the PRC, serving customers such as Aisino, Beijing Jingwei Information (北京經緯信息), FKY (中郵科通信), China Railway Group, Railway Engineering Research Institute of CARS, in the railway industry, as well as financial institutions such as Hengfeng Bank and Chongqing Rural Commercial Bank in the PRC.

The Group endeavours to continue developing value-added and long-term relationship with customers in the long run with contracts for the provision of maintenance and related services for networking, sound and communication systems.

E-commerce operation (the “EC Segment”)

For the years ended 30 June 2023 and 2022, our revenue from the EC Segment was RMB129.4 million and RMB11.4 million respectively, representing 61.7% and 11.9% of our total revenue for the same period, respectively.

The main reasons for the increase in revenues from the EC Segment by approximately 10.4 times are as follows:

- (1) We continuously expanded and enhanced our service brands and introduced multiple well-known domestic brands with market influence, thereby significantly increasing the sales scale of our e-commerce operation business.
- (2) The COVID-19 restrictions in the PRC were gradually lifted in December 2022, and the customers' willingness to spend in the PRC were recovering.
- (3) The continuous enhancement and expansion of our brand operation team and the accumulation of operation experience also bolstered an upsurge in online sales of our service brands.

MANAGEMENT DISCUSSION AND ANALYSIS

Brand e-commerce operation service is a service industry that grows with the development of e-commerce. It grows continuously with the expansion and deeper penetration of the e-commerce industry. Brand operation service providers, as a link between brand owners, e-commerce platforms and consumers, create value for all parties in the industry chain and have established a beneficial ecosystem with e-commerce platforms and brand owners.

Considering the market size and development potential of the industry, the management of the Company marked this business as a key area of investment for the Company. The Company has formed a front-office business system comprising digital marketing services, online agency operation services, online retailing (2C) and distribution (2B) services, as well as a back-office support service system comprising the supply chain, customer service and warehousing services.

Digital marketing services include the provision of brand building, online marketing, reputation management, public opinion management and event planning services for brand owners.

Online agency operation services include the provision by the Company of various operating services for the sales of online stores opened by brand owners, including visual design, store operations, marketing campaigns and customer service.

Online retailing services include the online sales of products purchased by the Company from brand owners or their agents to consumers (2C) or other distribution channels (2B) through brand flagship stores or franchise stores operated on third-party platforms such as Tmall and JD.com as an authorised distributor for the brand owners.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately RMB114.3 million or 1.2 times to approximately RMB209.8 million for the Year, from approximately RMB95.5 million for the year ended 30 June 2022. This was principally due to the increased revenue contribution during the Year from increased provision of e-commerce operation in the PRC. The revenue increase was slightly offset by a slowdown in revenues from the NSC Segment during the Year, attributed to completion of certain high value contracts for the year ended 30 June 2022.

Costs of sales/services

Our costs of sales/services increased by approximately RMB80.6 million or 1.1 times to approximately RMB155.7 million for the Year from approximately RMB75.1 million for the year ended 30 June 2022. The increase in costs was mainly due to higher material purchases and was in line with the significantly higher revenue earned during the Year as part of our new NSC Segment and EC Segment in the PRC.

Gross profit

Our gross profit increased by approximately RMB33.7 million or 1.7 times to approximately RMB54.1 million for the Year from approximately RMB20.4 million for the year ended 30 June 2022 due to gross profit contributions from our new geographical expansion into the PRC within the NSC Segment. The Group's gross profit margin increased to 25.8% for the Year, from approximately 21.4% for the year ended 30 June 2022. The increase in gross profit margin was due to the achieving lower material prices with vendors in our EC Segment during the Year.

Other income

Our other income increased by approximately RMB0.6 million or 82.7% to approximately RMB1.4 million for the Year from approximately RMB0.8 million for the year ended 30 June 2022. The increase was attributed to the gains on early termination and modification of leases and interest income for the year ended 30 June 2023 by approximately RMB 1.1 million and was slightly offset by the approximately RMB 0.5 million reduction in the non-recurring government grant and rent concession income in relation to COVID-19.

Other losses

Other losses increased by approximately RMB2.1 million or 3.0 times from other losses of approximately RMB0.7 million for the year ended 31 March 2022 to other losses of approximately RMB2.8 million for the Year. The increase was mainly attributable to the write-off of receivables due from a customer of the Group which was under creditor's voluntary liquidation as at 28 February 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and administrative expenses

The selling and administrative expenses increased by approximately RMB27.9 million or 1.8 times from approximately RMB15.6 million for the year ended 30 June 2022 to approximately RMB43.5 million for the Year. The significant increase was mainly due to (i) the increase of approximately RMB 25.9 million in administrative costs related to the expansion and growth of the operations of the Group's EC segment in the PRC; and (ii) an increase of approximately RMB 2.0 million in NSC Segment's general sales and marketing expenses.

Administrative staff costs

Payroll expenses increased by approximately RMB9.7 million or 46.9%, from approximately RMB20.7 million for the year ended 30 June 2022, to approximately RMB30.4 million for the Year. The increase was mainly attributed to administrative expenses incurred to expand our EC Segment in the PRC, including but not limited to: (i) increased of payroll headcount related to operation expansion and growth in the Group's EC segment in the PRC contributing an increase of approximately RMB 7.0 million; and (ii) increased in payroll costs of approximately RMB 2.7 million related to Group's NSC segment due to the hiring of sales personnel.

Finance costs

Our finance costs increased to approximately RMB3.0 million for the Year, by approximately RMB1.9 million or 1.8 times, from approximately RMB1.1 million for the year ended 30 June 2022. The was mainly due to an increase in the interest accrued from interest-bearing loans from bank and other institutions in the Group's EC Segment during the Year.

Income tax expense

Our income tax expense decreased to approximately RMB0.9 million for the Year, by approximately RMB0.9 million or 50.8% from approximately RMB1.8 million for the year ended 30 June 2022. The decrease was primarily due to a decrease in taxable profits in the Group's NSC Segment in Singapore for the Year.

Loss and other comprehensive loss for the year attributable to the owners of the Company

The Group recorded total comprehensive loss for the Year attributable to the owners of the Company of approximately RMB20.1 million for the Year. Compared to the total comprehensive loss of approximately RMB22.0 million for the year ended 30 June 2022, the decrease was principally caused by continuing operational costs to break into the new markets and expand the EC Segment operations into the PRC during the Year.

DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed our operations primarily through cash generated from our operating activities and financing activities.

Pledged bank deposits, bank balances and cash

As at 30 June 2023 and 2022, our Group's pledged bank deposits, bank balances and cash are denominated in the following currencies:

	For year ended 30 June	
	2023	2022
	RMB'000	RMB'000
<i>Denominated in:</i>		
CNY	4,615	3,156
HKD	1,408	1,328
MYR	83	268
SGD	35,838	36,286
USD	4,153	669
	46,097	41,707

Net current assets

As at 30 June 2023, the Group had net current assets of approximately RMB71.7 million (2022: approximately RMB74.0 million).

Total equity

The equity of the Group mainly comprises share capital, share premium and reserves. The Group's total equity attributable to the owners of the Company amounted to approximately RMB77.5 million (2022: approximately RMB95.1 million).

Borrowings

Our borrowings increased by approximately 52.0 million or 1.8 times to approximately RMB80.7 million as at 30 June 2023 from approximately RMB28.7 million as at 30 June 2022. The significant increase was primarily due to the drawdown of loans and transfer arrangement of trade receivables which were used to fund the operating costs of the expansion in the PRC during the Year. More information about the loan repayment and nature of the loans are set out in the note 20 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

On 18 April 2023, the Company has allotted and issued of 24,000,000 shares (the “**Awarded Shares**”) to a trustee as fully paid at nominal value under the general mandate pursuant to the share award scheme (the “**Share Award Scheme**”). The Awarded Shares represented approximately 2.65% of the enlarged issued share capital of the Company as at the date of this report. On the issuance date, the Trustee held such Shares on trust for the 16 selected participants and will transfer the respective proportions to each of them at Nil consideration upon vesting and settlement of their respective Awarded Shares. Accordingly, no fund was raised from the allotment and issue of the Awarded Shares.

Other than as disclosed above, there has been no further change in the capital structure of the Group during the Year and up to the date of this report.

As at the date of this report, the Company’s issued capital was 904,000,000 Shares of HK\$0.01 each.

TREASURY POLICY

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. 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 other commitments can meet its funding requirements from time to time.

CAPITAL EXPENDITURES AND COMMITMENTS

During the Year, the Group acquired items of property, plant and equipment of approximately RMB0.7 million (2022: approximately RMB0.1 million).

As at 30 June 2023, the Group did not have any capital commitments (30 June 2022: nil).

LEASE COMMITMENTS

Our lease commitments represent the minimum lease payments for short-term leases which would be payable under operating lease in respect of staff dormitories and warehouse, amounting to approximately RMB0.2 million (2022: approximately RMB0.6 million).

CONTINGENT LIABILITIES

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

OFF BALANCE SHEET ARRANGEMENTS

As at 30 June 2023, the Group did not enter into any material off-balance sheet arrangements (30 June 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

PLEGGED ASSETS

Our pledged bank deposits represent deposits placed to a bank for corresponding amounts of performance guarantee arranged by our Group in favour of a customer with an original maturity term of 36 months as at 30 June 2022. The balances carry interest of 0.65% per annum as at 30 June 2022. We had pledged bank deposits of approximately RMB0.9 million as at 30 June 2022. The pledged bank deposits were uplifted on 1 July 2022.

As at 30 June 2023, the leasehold land and property with carrying amount of approximately RMB22.4 million (2022: approximately RMB20.6 million) was pledged to a bank for a bank borrowing.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, including our Directors, the Group had a total of 161 employees (30 June 2022: 151).

We recognise employees as valuable assets and our success is underpinned by our people. In line with our human resource policies, we are committed to providing attractive remuneration packages, and a fair and harmonious working environment to safeguard the legitimate rights and interests of our employees. The Group regularly reviews our human resource policies which outline the Group's compensation, working hours, rest periods and other benefits and welfare, to ensure compliance with laws and regulations. We always place emphasis on attracting qualified applicants by offering competitive remuneration packages. These packages are reviewed based on employees' performance and reference to prevailing market conditions, and are adjusted in a timely manner to keep them in line with market benchmarking.

The Group operates the retirement schemes for employees in Singapore outlined in the Central Provident Fund Act (Chapter 36 of Singapore), in Malaysia outlined in the Employee's Provident Fund Act 1991 and Employment Insurance System Act 2018 Laws of Malaysia, in Hong Kong outlined in the Mandatory Provident Fund Schemes Ordinance (Cap. 485), and in the PRC in accordance to Labour Law and Labour Contract Law of the PRC.

In addition, the Company has conditionally adopted a share option scheme (the **"Share Option Scheme"**) on 14 December 2017 and a share award scheme (the **"Share Award Scheme"**) on 18 February 2021 so as to motivate, attract and retain the right employees.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any significant investments or any material acquisition and disposal of subsidiary or affiliated company during the Year (30 June 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and other reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

Financial risk management

Our Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, and borrowings. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. For further details, please refer to note 32 to the consolidated financial statements included in this annual report.

KEY FINANCIAL RATIOS

	For year ended 30 June	
	2023 Times	2022 Times
<i>Liquidity ratios</i>		
Current ratio	1.7	2.2
Quick ratio	0.8	1.5
	%	%
<i>Capital adequacy ratios</i>		
Gearing ratio	116.4%	40.3%

The calculation of current ratio is based on current assets divided by current liabilities.

The calculation of quick ratio is based on current assets less inventories divided by current liabilities.

The calculation of gearing ratio is based on interest-bearing liabilities divided by the total equity and multiplied by 100%.

Quick and current ratios

The quick ratio decreased by 46.0% and current ratio decreased by 21.9% respectively during the Year. The quick ratio decrease is primarily due to current liabilities build-up owed to both trade vendors and non-trade creditors in relation to operating in the NSC Segment and EC Segment in the PRC. The current ratio decreased due to build-up of high level inventory in our EC Segment in the PRC to match with our selling strategies in the PRC during the Year.

Gearing ratio

The increase of gearing ratio is due to drawing down on interest-bearing loans and factoring of trade receivables to finance our operation in both our NSC Segment and EC Segment in the PRC during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM LISTING AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Up to 30 June 2023, we utilised the net proceeds raised from the Listing in accordance with the designated uses set out in the prospectus issued by the Company on 29 December 2017 (the “**Prospectus**”), the supplemental announcement issued on 31 July 2020 (the “**Supplemental Announcement**”) and announcement in relation to further change in use of net proceeds issued on 6 September 2023 (the “**Further change in use of net proceeds**”) as follows:

Description	Amount	Actual use of proceeds as at 30 June 2023	Unutilised amount as at 30 June 2023	% utilised as at 30 June 2023	Revised use of	Expected date to fully utilise the unutilised amount (Note)
	designated in the Prospectus				remaining balance of the unutilized	
	HK\$ million	HK\$ million	HK\$ million	%	Net Proceeds	
Strengthen our marketing efforts in the sound and communication industry in Singapore	1.4	1.1	0.3	78.6%	1.8	30 June 2026
Expand and train our sales and marketing, technical and support workforce	11.6	11.6	Nil	100.0%	9.0	30 June 2026
Purchase transportation vehicles	3.0	1.0	2.0	33.3%	2.0	30 June 2026
Setting up of a new sales office in Singapore	10.0	Nil	10.0	0.0%	2.0	30 June 2026
Partial repayment of bank loan	10.0	10.0	Nil	100.0%	Nil	N/A
Resources for the provision of performance bonds	2.0	1.8	0.2	90.0%	0.2	30 June 2024
Take steps to obtain higher grade level under our current mechanical and electrical workhead	2.5	Nil	2.5	0.0%	Nil	N/A
General working capital and general corporate purposes	3.5	3.5	Nil	100.0%	Nil	N/A
Grand total	44.0	29.0	15.0	65.9%	15.0	

Note: Expected date to fully utilised were updated in this report and explanations for the delay of expected date to fully utilise the unutilised amount were provided following the table below.

The net proceeds raised from the listing of the shares of the Company (the “**Shares**”) on GEM, after deducting the related expenses, were approximately HK\$44.0 million.

The unutilised balance of net proceeds of each designated uses set out above is expected to be fully utilised by 30 June 2024 and 30 June 2026. Please refer to the announcements of the Company dated 31 July 2020 and 6 September 2023 for the details of the delay in the use of the net proceeds and change in the use of proceeds, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The expected timeline for fully utilise the unutilised proceeds disclosed above is based on the best estimation from the Board with latest information as at the date of this report. The Board confirms that the Group continues to be invited for tender and be awarded projects from its customers during the relevant periods and therefore considers that the delay in use of proceeds and business expansion does not have any material adverse impacts on the operation of the Group. The Board will continue closely monitoring the situation and evaluate the impacts on the timeline to utilise the unutilised proceeds and will keep shareholders and potential investors informed if there are any material changes.

The following table sets forth the designated and actual implementation plan up to 30 June 2023:

Purpose	Implementation Plan	Actual implementation activities
Strengthen our marketing efforts in the sound and communication industry in Singapore	<ul style="list-style-type: none"> ➤ Implement corporate branding and identity for our sound and communication services solution operations in Singapore which includes printing of marketing materials and advertisement ➤ Maintain and update our corporate websites by the external consultant for customised website development ➤ Participate in trade show(s) 	<ul style="list-style-type: none"> ➤ Maintained and improved our corporate websites, by using in-house resources to develop and maintain the Group's website instead of engaging external website designers ➤ Considered the current project tender ➤ Sought more opportunities to conduct new trade shows to further reach out to potential customers in healthcare industry in Singapore
Expand and train our sales and marketing, technical and support workforce	<ul style="list-style-type: none"> ➤ Staff cost for retaining the approximately one project manager, two engineers and 10 technicians to be recruited by February 2018, and the associated staff accommodation costs ➤ Staff cost for retaining the approximately one sales manager, two sales and marketing executives and 10 technicians to be recruited by July 2018, and taking into account potential increase in wage level, and the associated staff accommodation costs ➤ To provide internal and external trainings and workshops to our sales and technical staff 	<ul style="list-style-type: none"> ➤ New headcount of 8 engineers and 25 technicians were recruited as at 30 June 2023 ➤ New headcount of 2 sales and marketing executives, 1 marketing manager and 1 sales manager were recruited as at 30 June 2023 ➤ Provided internal and external trainings and workshops to our technical staff ➤ In the process to seek suitable candidates to the remaining positions

MANAGEMENT DISCUSSION AND ANALYSIS

Purpose	Implementation Plan	Actual implementation activities
Purchase transportation vehicles	<ul style="list-style-type: none"> ➤ Purchase of three vans for maintenance operations and, transportation of relevant equipment and/or labour ➤ Purchase of two lorries for delivery and transportation of larger equipment and/or labour 	<ul style="list-style-type: none"> ➤ Purchased of two vans for maintenance operations and, transportation of relevant equipment and/or labour ➤ Considered and monitored Group's current project portfolio but postponed the purchase of two vans due to current different project requirements
Setting up a new sales office in Singapore	<ul style="list-style-type: none"> ➤ Purchase of one new property to be used by our sales and contract department and act as a demonstration facility for our sound and communication systems 	<ul style="list-style-type: none"> ➤ Considered and monitored the Group's project tenders and plan was postponed due to current observed industry customers' requirements and the property prices in Singapore were surged up higher than expected which the Group requires additional time to identify the suitable premises in order to meet the Group's financial budget ➤ The Group revised the use of net proceeds for renovation of new sales office space
Partial repayment of bank loan	<ul style="list-style-type: none"> ➤ Partial repayment for the bank loan in relation to the mortgage loan secured for the purchase of our head office in Singapore 	<ul style="list-style-type: none"> ➤ The mortgage loan was partially repaid on 11 July 2018
Expansion of our sound and communication services solution business	<ul style="list-style-type: none"> ➤ To explore, evaluate and tender for potential integrated services of sound and communication systems projects in Singapore, particularly larger scale projects which may be required for the provision of performance bonds 	<ul style="list-style-type: none"> ➤ Postponed due to performance bond not required in recent awarded tenders to the Group. ➤ In the process of exploring large scale potential projects which requires the provision of performance bonds
Take steps to obtain higher grade level under our current mechanical and electrical workhead	<ul style="list-style-type: none"> ➤ Satisfy the minimum financial requirements for "L6" grade under our current mechanical and electrical workhead 	<ul style="list-style-type: none"> ➤ Considered and monitored the Group's project portfolio and considered adverse impacts on Singapore economy, the unutilized amount were reallocated to other categories

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

ISP Global Limited (the “**Company**”, “**ISP**”) and its subsidiaries (together referred to as the “**Group**”, “**we**” or “**us**”) (Stock code: 08487) are pleased to present its efforts on environmental, social and governance (“**ESG**”) to the shareholders. The Group is deeply devoted to operating in a sustainable and responsible manner, and place great importance on ESG considerations to ensure its long-term prosperity. The Group is also committed to improving its ESG performance by upholding good corporate governance standards, protecting the environment, engaging the community, and promoting social integration. The board (the “**Board**”) of directors (“**Directors**”), who are ultimately responsible for leading ESG, works by overseeing the management in the design, implementation and monitoring of the risk management and internal control systems to cope with environmental challenges.

REPORTING PERIOD

This report outlines the performance outlines the performance and approach of ISP Global Limited (defined below) during the period which began on 1 July 2022 to 30 June 2023 (the “**Year**” or “**2022/2023**”).

REPORTING SCOPE AND STANDARDS

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) (the “**GEM Listing Rules**”).

The Environmental, Social and Governance Report (the “**Report**”) presents an annual update of the Group’s ESG key performance indicators (“**KPIs**”), covering our operations in Singapore, Hong Kong and the PRC. The information in the Report is derived from the Group’s official documents and statistical data, as well as the integration and summary of monitoring, management and operational information provided by subsidiaries of the Group. The Group undertakes that there is no false record and no misleading statement and assumes liabilities to the authenticity, accuracy, and completeness of its content. The Board acknowledges the overall responsibility for the Group’s ESG strategies and strives to improve its operational methods and efficiency. ESG performance is measured, reviewed, and reported to the management regularly for continuous improvement.

REPORTING BASIS AND PRINCIPLES

The report is prepared based on the guidelines outlined in the ESG Reporting Guide (the “**ESG Guide**”) outlined in Appendix 20 to the Listing Rules as well as the four reporting principles – materiality, quantitative, balance and consistency.

Materiality: The Group identifies key ESG issues through stakeholder engagement and materiality assessment.

Quantitative: The Report discloses KPIs in quantitative terms, where feasible. Methodologies, assumptions used, and comparative data are provided to enable readers to assess and verify the Group’s ESG policies and practices.

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Balance: The Report provides comprehensive disclosure of the Group's ESG performance based on objective facts. Both achievements and challenges of the Group are identified in the Report.

Consistency: The Report uses consistent methodologies for meaningful comparisons unless improvements in methodology are identified.

The Report has fulfilled all “comply or explain” requirements and mandatory disclosures outlined in the ESG guide.

REVIEW AND APPROVAL

The information disclosed in the Report is mainly sourced from internal documents and statistics of the Group, as well as the management and operational information provided by its subsidiaries, in accordance with the Group's internal management systems. The Report will be available in both Chinese and English on the Stock Exchange website. In case of any inconsistencies between the two versions, the English version will take precedence. All information contents have been reviewed and confirmed by the Board.

FEEDBACK

The Report is available in the “Financial Statements/Environmental, Social and Governance Information” category of the Stock Exchange website or on the Groups' website. We welcome readers provide feedbacks on this ESG Report for the sustainability initiatives. Please share your views with us by email to info@ispg.hk. Your comments will be conducive for us to further refine this report and enhancing the Group's ESG performance.

THE GROUP'S OVERVIEW

The Group has established two major business segments: (i) e-commerce operation (“**E-commerce**”) in the PRC and (ii) sale and provision of integrated services networking, sound and communication systems in Singapore and the PRC. The two expanded business segments substantially boosted the growth in the overall sales revenue of the Group and achieved annual sales revenue of approximately RMB209.80 million for the Year.

E-commerce

E-commerce's continued growth is dependent on its own development, and it will grow as long as e-commerce's market share keeps growing. Expecting a slowdown in growth of existing business, the Group has expanded its business of E-commerce as well as integrated services of networking and communication in the PRC since the financial year which starts from 1 July 2020 to 30 June 2021.

The business of E-commerce operation mainly provides brand owners with digital marketing, online agency operation, online dealing as well as distribution services. The Group has achieved a certain scale in its operation. Up to 30 June 2023, the Group had established cooperation relationships with 14 brands and opened 27 shops on mainstream E-commerce platforms such as Tmall, JD.com and Pinduoduo, forming an excellent foundation for development.

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Integrated Service

The integrated services of networking and communication systems mainly provides large state-owned enterprises such as financial, railway and aviation institutions in the PRC with integrated solutions for information technology (“IT”) equipment and systems, IT technical services and maintenance services.

While in Singapore and Malaysia, provision of networking, sound and communication systems and alert systems services (including the sale of networking, sound and communication systems, integrated services of networking, sound and communication systems and alert alarm system services) are provided to the customers.

BOARD STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the ESG report of ISP Global Limited for 2022/2023. The Group is committed to ensuring that our operations are in a sustainable and responsible manner, and we place great importance on ESG considerations to strive for long-term prosperity. We have integrated ESG factors into our decision-making process which we believe can generate value for all our stakeholders which includes shareholders, customers, employees, and the communities in which we operate.

In today’s interconnected world, we understand that our actions have an impact on the environment and society. With great responsibility, we embrace the urgent need for sustainable practices and actively seek ways to minimise our carbon footprint. We vow to seize every opportunity to reduce resource usage across our entire value chain, as we remain committed to pursue sustainable operations.

At ISP Global Limited, we believe that sustainability goes beyond environmental considerations to pursue our business model. To deal with ESG issues effectively, we prioritise the engagement with our employees, customers, and other related stakeholders. We value and invest in our employees, fostering a culture of continuous learning, diversity, and inclusivity. By nurturing talent and encouraging creativity, we empower our workforce to deliver excellence in every aspect of our business.

Looking ahead, the Group is poised for growth and success. We will continue to expand our business, and we strive to be the preferred goods and service provider in the regions that we operate, providing the most outstanding solution to our customers with high quality products, as well as professional services.

On behalf of the board, let me take this opportunity to extend our heartfelt gratitude to our shareholders, business partners, customers, and employees for your continuous support and contribution to the Group, we are committed to delivering value to all our stakeholders.

Cao Chunmeng

Chairman

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD'S OVERSIGHT OF ESG ISSUES

The Board is primarily in charge of directing how the Group's sustainability challenges are handled. The Board's oversight strives to give management the instruments and assets it needs to address ESG challenges strategically and create long-term value. The Board acknowledges that it is ultimately responsible for establishing the Group's ESG-related risks and opportunities, as well as for developing and implementing ESG strategies and reporting. ESG performance is constantly evaluated, monitored, and reported to the management for continual improvement. The Group is dedicated to openness and accountability, and it also values every stakeholder's opinion, viewing them as essential to the organisation's expansion and advancement.

ESG WORKING GROUP

To ensure effective management of ESG issues, the Group had formed an ESG working group which consists of the Chief Executive Officer and Financial Controller, which is responsible for overseeing and evaluating the company's ESG processes and risk management.

The ESG working group meets at least once a year to review various ESG issues and report to the Board on sustainable development tasks. They also identify important issues that impact the Group's operations and stakeholders' interests and work on implementing appropriate measures.

Throughout the Year, the ESG working group collaborates with management to assess the company's ESG governance and address any concerns. They collect ESG data from different departments, monitor the implementation of measures, and assess the effects of ESG-related risks on our operations. Based on their findings, policies are developed to manage and mitigate the risks effectively.

ESG MANAGEMENT APPROACH

The Group undertakes materiality assessment annually to make sure that the material topics are aligning with our operations and addressing stakeholders' concerns. The Group makes informed decisions and manages business impacts by using a variety of communication channels to reach and respond to key stakeholders. Through industry benchmarking, material ESG criteria are identified, critical areas are prioritised through stakeholder engagement, and the issues are verified through active communications with management and stakeholders. By improving the Group's comprehension of stakeholder attention to each ESG issue, this process enables all-round sustainable development planning. In this Report, the significant and material ESG areas identified during the materiality assessment will be covered.

REVIEWING ESG-RELATED GOALS AND TARGETS

Regularly tracking the progress of target implementation and performance is important to keep the Group on the right track. If there is a significant deviation from the target, it is necessary to revise strategies accordingly. Effective communication of goals and targets to key stakeholders like employees is essential to make them feel like they are an integral part of the Group's journey towards the change. The ESG working group should carefully evaluate the feasibility of targets by considering the Group's ambitions and goals. Throughout the Year, the Groups established targets based on absolute measures.

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ENGAGEMENT WITH STAKEHOLDERS

We recognise that the long-term success of our sustainable development relies on moving forward together with our stakeholders. To gain a comprehensive understanding of the various ESG aspects that affect our operations, we conducted questionnaires to delve deeper into material aspects and challenges related to ESG matters. The table below illustrates the different communication methods employed by the Group to engage with each stakeholder.

Stakeholder Groups	Specific Stakeholders	Methods of Communication
Investors	<ul style="list-style-type: none"> ➤ Shareholders ➤ Potential investors 	<ul style="list-style-type: none"> ➤ Annual and interim financial report ➤ Quarterly reports and announcements ➤ General meetings ➤ Corporate website ➤ Disclosure of stock listing information
Employees	<ul style="list-style-type: none"> ➤ Direct workers ➤ Potential recruits ➤ Senior Management ➤ Staff 	<ul style="list-style-type: none"> ➤ Direct communication ➤ Independent focus groups and interviews ➤ Regular performance assessment ➤ Training and seminars
Customers	<ul style="list-style-type: none"> ➤ PRC and Singapore Government agencies ➤ Private organisations ➤ Ultimate users 	<ul style="list-style-type: none"> ➤ Customer assessment ➤ Social media ➤ Mechanism for processing complaints ➤ Periodical meetings with contractors and customers
Suppliers/Contractors	<ul style="list-style-type: none"> ➤ Suppliers ➤ Sub-contractors ➤ Service providers 	<ul style="list-style-type: none"> ➤ Daily work review ➤ Site inspection and meeting with sub-contractors ➤ Supplier assessment
Government	<ul style="list-style-type: none"> ➤ National and local governments ➤ Regulators 	<ul style="list-style-type: none"> ➤ Government initiatives ➤ Written correspondence ➤ Statutory reports and general disclosures
Community	<ul style="list-style-type: none"> ➤ National and local community organisations 	<ul style="list-style-type: none"> ➤ Internship program ➤ Volunteering activities

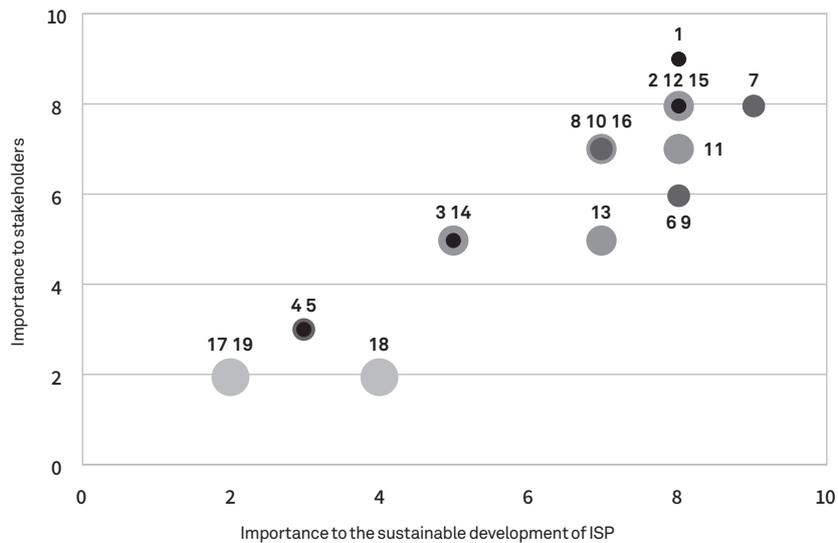
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MATERIALITY ASSESSMENT

Stakeholders' opinions serve as the best reference for improving our operational performance and promoting business development. Throughout the Year, the Group conducts internal and external materiality assessments to identify ESG issues that are deemed to be material to the Group. In the process of identifying the material topics, we incorporated the opinions and expectations of various stakeholders into our long-term ESG strategies.

The materiality assessment conducted in the Year has yielded a refined set of 19 material topics from an initial list of 22 potentially relevant issues. The materiality matrix visually depicts the relative importance of various issues to our stakeholders and our business operations. The matrix helped us to identify key issues that hold significant importance to both parties. Issues falling within the top right-hand quadrant of the matrix were considered highly significant. The table below illustrates the different communication methods employed by the Group to engage with each stakeholder.

Materiality Matrix



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Protect our planet

- 1 Air and emissions control
- 2 Resource management (energy, water, waste)
- 3 Project management (E-commerce operation and material usage)
- 4 Logistics and packaging efficiency

Dedicated workforce

- 5 Occupational health and safety
- 6 Employment practices
- 7 Employee training and development
- 8 Workplace inclusion
- 9 Human rights protection

Responsible value chain

- 10 Anti-corruption
- 11 Data security and privacy
- 12 Supply chain management
- 13 Customer satisfaction
- 14 Product & service quality
- 15 Transparent and fair procurement practices
- 16 Business ethics

Corporate social responsibility (“CSR”)

- 17 Community investment
- 18 Caring the vulnerable
- 19 Site impact on local communities

ENVIRONMENTAL ASPECTS

With increasing expectations for corporate entities to take a leading role in environmental conservation, both from governments and the public, environmental sustainability has become an important aspect of the Group’s CSR. We are endeavouring to optimise the use of resources. We aim to conduct our business in an environmentally conscious manner and advocate for good practices in our value chain. To foster greater awareness of environmental responsibility among our staff, suppliers, and other stakeholders, we have implemented comprehensive environmental compliance policies and procedures. These guidelines provide clear management directives for various environmental aspects, enabling us to minimise emissions and utilise resources.

Emissions Control

In the face of global environmental issues such as climate change and rapid depletion of natural resources, we follow the fundamental principles of environmental compliance and place value on conservation of natural resources and complies with relevant local environmental regulations.

The Group is a non-production company principally engaged in the provisions of sound and communication system services solution and E-commerce services, which do not generate material impacts on the environment. Our business operations do not produce hazardous wastes, nor do they rely heavily on energy consumption or water resources. The generation of air and greenhouse gases (“GHG”) emissions is indirect, mainly from the electricity consumption for our office premises and business air travel by our employees. The Group has neither used any liquified petroleum gas nor other gases and thus does not have relevant GHG emissions to disclose for the Year.

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To minimise the air emissions and GHG emissions at sources, we closely monitor the travel logs and fuel consumption of our motor vehicles to avoid unnecessary usage of fuel when transporting materials between project sites and office in daily operations. Our vehicles are properly maintained to maximise fuel efficiency. During the Year, the Group owns three vehicles in Singapore, with a low level of direct emission recorded. Nitrogen oxide, Sulphur oxide and particulate matter emissions from this source were all close to zero tonne. Recognising that there are indirect GHG emissions from business air travel by employees, the Group encourages employees to utilise instant messaging tools, video calls, or teleconferences where feasible.

Environmental protection and sustainable development rely on the continued concerted effort from all stakeholders throughout the value chain. Therefore, we have continued to refine and improve our mitigation measures to reduce both direct and indirect negative environmental impacts arising from our operations. To mitigate the climate impact of our operations while sustaining our business expansion and revenue growth, the Group has set an emissions target to reduce GHG intensity per RMB¹ 1 million of annual revenue by 3% over the subsequent 5 years when compared with GHG emitted this year.

Air emissions during the Year:

Air Pollutant Emissions²	Unit(s)	2022/2023	2021/2022
Nitrogen Oxide (NO _x)	kg	107.61	61.96
Sulphur Oxide (SO _x)	kg	0.12	0.03
Particulate Matter (PM)	kg	10.31	5.94

¹ During the Year, the Group's reporting currency changed from SGD to RMB. Hence, the target has also changed according to the currency change.

² The data covers emissions from petrol consumption only. It is estimated based on "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange of Hong Kong.

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GHG emissions during the Year:

GHG Emission types		Unit(s)	2022/2023	2021/2022
Direct emissions or removals from sources (Scope 1)³				
GHG emissions from mobile combustion sources	Carbon Dioxide (CO ₂)	tonne	19.84	11.79
	Methane (CH ₄)	kg	15.30	9.1
	Nitrous Oxide (N ₂ O)	tonne	1.02	0.61
Energy indirect emissions (Scope 2)⁴				
Electricity purchased from power companies	CO ₂ equivalent	tonne	34.53	31.63
Other indirect emissions (Scope 3)⁵				
Paper waste disposed at landfills	CO ₂ equivalent	tonne	3.90	3.02
Electricity used for fresh water and sewage processing	CO ₂ equivalent	tonne	1.05	0.27
Business air travel by employees	CO ₂ equivalent	tonne	50.30	6.48
Total emissions	(Scope 1,2 and 3)	tonne	110.65	53.81
Intensity ⁶	(per million of annual revenue)		0.53	0.56

Wastes Management

We mainly generate non-hazardous solid wastes such as domestic wastes and paper in our daily office operations as we are not involved in manufacturing activities. The wastes are collected and processed by government-linked general waste service providers. As we produce insignificant number of non-hazardous wastes plus, they are charging us a flat rate every month. While for the PRC operations, the wastes are collected and processed by the property management, hence the related KPIs are unavailable. Despite lacking relevant KPIs, we are still committed to reducing pollution and being environmentally friendly. We strive to use fewer resources, reuse materials, and recycle whenever possible. We actively participate in the National Recycling Program in Singapore by recycling paper, plastic bottles, and metal cans. We encourage wastes separation at its sources and designated responsible personnel to collect and deposit the recyclables to the appropriate bins.

Waste	Unit(s)	2022/2023	2021/2022
Total non-hazardous waste	kg	812.39	628.00
Intensity	kg/employee	5.05	4.16

The Group does not generate hazardous wastes. Therefore, the relevant KPIs were not applicable to the Group.

³ Scope 1: The direct emissions from the business operations owned or controlled by the Group, including the emission from the Group's vehicle fleet.

⁴ Scope 2: The "indirect energy" emissions from the internal purchased electricity consumption by the Group.

⁵ Scope 3: All other indirect emission that occur outside the Group, including both upstream and downstream emissions.

⁶ The Group's annual revenue in 2022/2023 is approximately RMB 209.80 million (2021/2022: approximately RMB95.5 million).

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Use of Resources

The world today is facing unprecedented, interconnected environmental challenges, including threats to climate change, ocean health and biodiversity. Through its policies, the Group intends to implement innovative resource controls, increase the stewardship of natural resources, and contribute to sustainable development.

The Group's major use of resources includes energy and water consumption. The Group aims to not only reduce its operating costs but also mitigate the negative impact of the use of fossil fuel on the environment. We actively monitor usage of office equipment and their electricity consumption to improve energy efficiency. Our employees are reminded to switch off most non-security related idle electrical appliances such as, office lighting, computers.

We cultivate a greener corporate culture through creating awareness and encouraging our employees to control the carbon footprint of our operations to generate long-term value for the stakeholders as well as the communities in which the Group operates. Some examples of initiatives which were implemented in our offices to promote resource conservation are as follows:

- Separate light switches for different zones and install motion sensors in areas that are not frequently used;
- Set and maintain average room temperature at 25 degrees Celsius;
- Switch off office equipment (e.g. printers, computers, and monitors) before leaving the workplace; Energy-friendly electrical appliances and devices such as LED lighting, computers and projectors, have been installed;
- Regular check and maintenance and ensure efficiency of equipment and appliances; and
- Double-sided printing and scan documents as electronic files instead of printing.

Energy consumption during the Year:

Energy Consumption	Unit(s)	2022/2023	2021/2022
Direct energy consumption	MWh	81.23	48.31
	MWh/million of annual revenue	0.39	0.50
Indirect energy consumption ⁷	MWh	73.74	55.61
	MWh/million of annual revenue	0.35	0.58

As the packaging process of the Group are outsourced and/or completed by the suppliers, the Group does not input any significant packaging material into its products.

⁷ Data of electricity consumption of the Group's operations in Singapore, Malaysia, Hong Kong, Shenzhen, Beijing are covered. Electricity consumption data in Shanghai office is not covered as it is originally included in the property management fee, no record could be located.

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ENVIRONMENT AND NATURAL RESOURCES

As a non-production company, our operations have minimal direct impact on the environment and natural resources. However, we remain committed to managing natural resources, to act responsibly, mitigating any potential threats of the business operations that might pose to the environment.

The Group fully understands that ESG policies and practices may evolve over time to reflect the changes in business operations, structures, technology, laws and regulations, environmental regulations, environment. The “Paris Agreement” sought to control global warming through the setting of emissions reduction targets for many countries. Similarly, in support of the global initiative, we are also committed to addressing the threat of climate change through our GHG emissions management. The Group commits to establish a reduction target to reduce electricity and paper consumption per employee by 25% by the year of 2025/26, using the intensity at 2020/2021 as a baseline. To achieve our target, the Group has continuously adopted the Reduce, Replace and Reuse approach, in line with national initiatives. Management will perform periodic reviews to monitor the progress and performance.

Throughout the Year, the Group has followed all the environmental laws and regulations in Singapore, such as the Environmental Protection and Management Act. We have also complied with the environmental laws in the PRC, including the Water Law, Energy Law, Energy Conservation Law, Environmental Protection Law, Pollution Prevention and Control Law. Additionally, we have met the environmental requirements set by our customers and any other relevant government regulation that apply to our operations.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to air and GHG emissions, noise control, discharges into water and land, and generation of hazardous and non-hazardous wastes.

Water Consumption^{8,9}		2022/23	2021/22
Consumption for the year	m ³	1,644.99	882.00
	m ³ /RMB1 million of sales revenue	7.84	9.24

The Group will continue to assess, record, and disclose annually its GHG emissions and other environmental data, to review the effectiveness of its current measures.

⁸ Data of water consumption of the Group's operations in Singapore, Malaysia, Hong Kong are covered.

⁹ The water usage of PRC operations is not included as it is originally included in the property management fee, no record could be located.

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Climate Change

Given the increasing impact of climate change to the globe, the Group implemented climate actions to mitigate the risks associated with climate change in support of the global initiative. We incorporated climate-related risks into our risk management systems and develop management measures to improve the climate resilience of our business model. We actively collaborate with our employees, suppliers, customers, and communities to jointly drive the transition towards low-carbon practices throughout our value chain. By working together, we aim to address the challenge posed by climate change and make meaningful progress towards a more sustainable future.

With reference to the recommendations of the Task Force of Climate-related Financial Disclosures (“TCFD”), the table below outlines the four essential elements of the Group’s response to the climate change disclosure obligations.

Core element	The Group’s response
Governance	<ul style="list-style-type: none">➤ Regular review, evaluate, advise to the Board regarding the Group’s practices, policies, procedures, strategies, and initiatives relating to sustainability.➤ Incorporating ESG matters, including those related to climate, into corporate decision-making process.
Strategy	<ul style="list-style-type: none">➤ Assessing the current and future effects of climate-related risks and opportunities in relation to the Group’s operations, strategic approach, and financial planning.
Risk Management	<ul style="list-style-type: none">➤ How we identify, assess, and manage climate-related risks.➤ Preparing for the transition to a low-carbon economy.
Metrics and targets	<ul style="list-style-type: none">➤ The goals and targets that are used to manage relevant climate-related risks and opportunities material to the Group.

Throughout the year, the Group encountered and anticipates encountering noteworthy climate-related physical risks and transition risks that have influenced or have the potential to influence various aspects of business and strategy. These include (i) operations, products, and services, (ii) supply chain and value chain, (iii) adaptation and mitigation activities, (iv) investment in research and development, and (v) financial planning. Additionally, the Group had implemented measures to address and mitigate these risks.

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Climate-related risks description

Mitigation responses

Physical risks (Acute)

- Climate change leads to increasing frequency and severity of extreme weather. Floods and typhoons pose a risk to employee's safety and could lead to damage of the Group's equipment, documents, systems, inventories, and back up storage which leads to higher spending on facilities maintenance and repair.
- Extreme weather conditions have the potential to disrupt our logistics and supply chain, thereby impacting the stability and availability of raw material supplies and product delivery service. There may be increased insurance premiums and availability of insurance of assets in "high-risk" locations may be affected.

- Offices will implement appropriate and essential procedures in response to typhoon announcements. All documents will be securely stored and moved away from windows to ensure their safety. Furthermore, electronic copies of documents will be created and saved as a backup.
- The Group has diversified supply chain which allows sourcing from alternative locations which minimises the impact of location-specific supply chain description.

Physical risks (Chronic)

- Climate change leads to the increase of mean temperature which may increase the operation costs such as electricity for air conditioning to create comfortable working environment for our employees. Heatwaves may also pose negative health impacts to the workforce and potentially reduce employee's productivity.
- Climate change only leads to extreme weather events, and eventually causing water scarcity which is a widespread issue in China. As papers are essential for office operations and wood is one of the raw materials. If prolonged extreme weather events occurred, the supply of wood will be affected and hence affecting the supply of paper.

- The Group adopts direct current variable-frequency air conditioners in offices that provide a high degree of comfort. The air-conditioning systems are designed to maximise energy efficiency by incorporating various features such as automatic on/off controls, mode selection, temperature settings. These features collectively contribute to minimizing energy consumption.
- Energy-saving notices are displayed at various locations of the operations to remind employees to switch off the electrical appliances that are not in use.

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Climate-related risks description

Mitigation responses

Transition risks (Policy and legal risks)

- Governments have raised their climate ambitions and implemented policies aimed at achieving a decarbonised economy. In China, the country has a “30.60” decarbonisation goal committing to hit peak emissions by 2030 and carbon neutrality in 2060. While Singapore has launched the Green Plan which strengthens the countries’ commitments under UN’s 2030 Sustainable Development Agenda and Paris Agreement, achieving the long-term net zero emissions aspiration by 2050. Power sector is expected to be impacted and this will affect the Group’s spending due to the change of energy price, operations of the Group’s suppliers will also be affected, leading to knock-on effect.
- The Group faces the risk of litigation because of increased government regulations and laws related to climate change, mandates on and regulations of existing services to achieving its ambitions to net zero. It is imperative for the Group to adapt to these stricter regulations, as failure to comply with the new rules could potentially lead to legal actions being taken against the Group.

- The Group diligently monitors updates to relevant laws and agreements to prevent unnecessary cost escalations and expenditures resulting from non-compliance. By staying informed and proactively adhering to regulatory changes, the Group aims to mitigate potential financial burdens and ensure compliance with environmental requirements.
- ISP has formulated strategies on energy saving and emissions reduction, in recognition of the importance of energy management and GHG emissions reduction.
- The Group has conducted supplier assessments to assess supplier’s effort on energy saving and emissions reduction. We actively promote suppliers to establish energy management systems for monitoring energy and resource consumption. Additionally, we encourage suppliers to implement energy-efficient facilities and technologies to decrease GHG emission resulting from their operations.

Transition risks (Technology risks)

- With the trends of adopting greener, lower emissions practices, low carbon materials and energy saving technologies are developed which may substitute the existing products and services leading with the lower emissions options. This will affect the Group’s supply of products, raw materials.

- The Group has conducted supplier assessments to assess supplier’s effort on energy saving and emissions reduction. We prioritise suppliers that demonstrate environmentally friendly practices, services, and products, aiming to minimise the risks associated with supply chain disruptions and promote sustainability.

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Climate-related risks description

Mitigation responses

Transition risks (Market risks)

- With the public's increasing awareness about sustainability and climate change, this may cause customers to demand more on environmentally friendly designed products and services. If we fail to respond to such changes in customers' preferences in a timely manner, or if our competitors can address such concerns in a more effective manner, the Group's business, financial condition may be affected negatively.
- The Group's suppliers may also adapt to greener practices for their operations. For instance, infrastructures may be designed to meet standards of the Leadership in Energy and Environmental Design ("LEED") building rating system, or substitutions of equipment, raw materials for production. This will increase the Group's cost for procurement.

- With high degree of flexibility in the Group's E-commerce business, the Group actively monitors consumer's preference of products and engages with our suppliers, selling platform in a timely manner to make changes in the product profile to meet customers' needs.
- We are striving to discover and invest on methods that can enhance our production capacity while optimising the use of resources, reducing emissions. Despite being costly at the initial stage, we firmly believe these benefits both ISP and the society in the long run.

Transition risks (Reputation risks)

- If the Group fails to fulfil customer's expectation, preference towards the products or services provided. It poses risks for harming the Group's reputation and image.
- Stigmatisation of the Group's sector may happen with an increasing number of stakeholders providing negative feedback on the Group's business operations that it operates in a less environmentally friendly manner. This may cause by the public's lack understanding towards the Group's operations.

- The Group plans to take a step forward, support and participate in activities that aims to protect and conserve the environment.
- We highly value the feedback form our consumers as it serves as a valuable asset for the Group. We are committed to continuously improving our operations by carefully considering and incorporating the comments we received. We strive to enhance the quality and sustainability of our products and services, meeting the evolved needs and expectations of our valued customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the primary climate-related opportunities and the corresponding financial impacts were as follows:

Type	Climate-Related Opportunities	Potential Financial Impacts
Resource Efficiency	<ul style="list-style-type: none"> ➤ Reduced consumption of water and electricity. ➤ Use of more efficient equipment. 	<ul style="list-style-type: none"> ➤ Reduced operating costs through efficiency gains and cost reductions.
Energy Source	<ul style="list-style-type: none"> ➤ Use of lower-emission sources of energy. ➤ Use of supportive policy incentives. ➤ Use of new technologies. 	<ul style="list-style-type: none"> ➤ Reduce exposure to GHG emissions and therefore less sensitivity to change in cost of carbon. ➤ Reputational benefits resulting in increased demand for goods/services. ➤ Reduced operational costs with the least abatement costs for technologies.
Products and Services	<ul style="list-style-type: none"> ➤ Development and/or expansion of lower emission goods and services. ➤ Ability to diversify business activities. ➤ Shift in consumer preferences. 	<ul style="list-style-type: none"> ➤ Increased revenue through demand for lower emissions products and services. ➤ Better competitive position to reflect shifting consumer preferences, resulting in increased revenues.
Markets	<ul style="list-style-type: none"> ➤ Access to new markets. 	<ul style="list-style-type: none"> ➤ Increased revenues through access to new and emerging markets (e.g. Collaborating with local partners or established business in new markets which provides access to their existing customer base and distribution networks).
Resilience	<ul style="list-style-type: none"> ➤ Participation in renewable energy programs and adoption of energy-efficient measures. ➤ Resource substitutes/diversification. 	<ul style="list-style-type: none"> ➤ Increased reliability of supply chain and ability to operate under various conditions. ➤ Increased revenue through new products and services related to ensuring resiliency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL ASPECTS

Employment and Labour Practices

We have a diverse and inclusive team of employees from various backgrounds and cultures contributing to our business success. We are committed to providing employees with a fair, transparent, and respectful career opportunities that are free from discrimination of gender, age, ethnicity, nationality, marital status, and religion, etc in the recruitment, selection, compensation, training, appraisal, and career advancement.

We emphasise equality in determining talent retention and recruitment, as well as recognising employees' contribution, competitive remuneration packages. We provide benefits including statutory and incentive benefits to our employees as part of enhancing workplace welfare. Employees' remuneration packages are determined with reference to the prevailing market standards in line with their competency, qualifications, and experience. Under such policy, performance evaluation is conducted on a yearly basis to appraise the performance of all employees, offering them recognitions and rewards according to their respective individual performance.

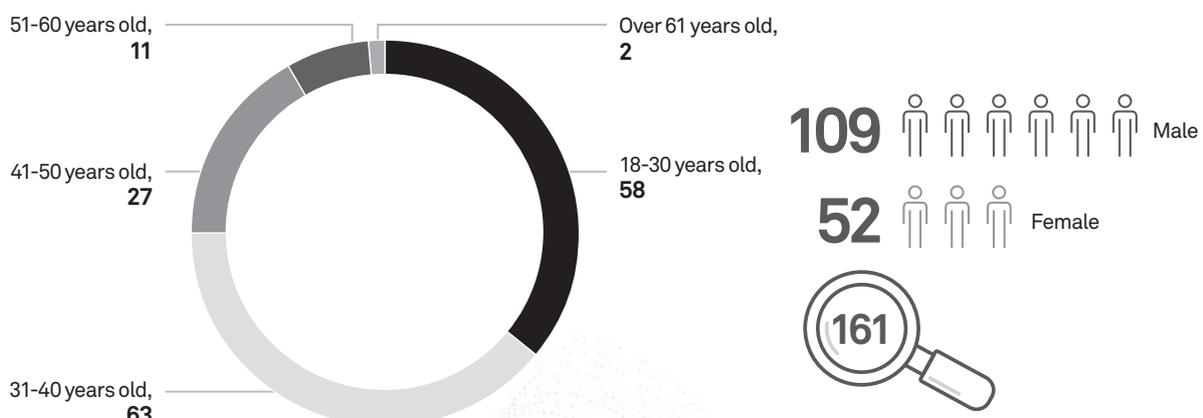
The Group complies with the anti-discrimination ordinances and the guidance under the Employment Ordinance (Cap. 57) and all the relevant laws and regulations such as the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the Minimum Wage Ordinance (Cap. 608), Laws of Hong Kong; the Employment Act (Cap. 91), the Central Provident Fund Act (Cap. 36), Statutes of Singapore; and the Employment Act 1955, Employee's Provident Fund Act 1991 and Employment Insurance System Act 2018, Laws of Malaysia; and the Labour Law and the Labour Contract Law of the PRC, as well as industry features and practices.

We continue our focus on the development of talent as part of advancement of career for our employees.

Staff Composition

As at 30 June 2023 we employed a total of 161 staff, including 160 (30 June 2022: 148) full-time (including independent non-executive directors) and 1 (30 June 2022: 3) part-time staff.

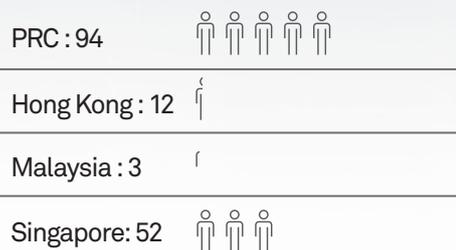
Employees by Gender and Age Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Employees by Geographical Region



Employee Turnover¹⁰

As at 30 June 2023, the Group has an employee turnover rate of approximately 45%.

Employee Composition	Employee Turnover 2022/2023		Employee Turnover 2021/2022	
	Number of people	Turnover rate	Number of people	Turnover rate
By Gender				
Male	39	36%	9	9%
Female	34	65%	7	13%
By Age Group				
18-30 years old	46	79%	10	16%
31-40 years old	23	37%	3	6%
41-50 years old	4	15%	3	10%
51-60 years old	–	0%	–	0%
Over 61 years old	–	0%	–	0%
By Geographical Region				
Singapore	13	25%	9	16%
Malaysia	–	0%	–	0%
Hong Kong	2	17%	–	0%
The PRC	58	62%	7	8%

¹⁰ Turnover rate = Number of employees in the specified category left the Group during the Year/ Number of employees in the specified category as at the end of the Year. The Group had a total of 73 employee left the Group during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 30 June 2023, the Group was not aware of any cases on non-compliance with laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

Health and Safety

The Group prioritises the protection of health and safety, the security and well-being of its employees. Due to the nature of the Group's business, there is no significant risk in occupational health and safety (“OHS”) during its operations. Nevertheless, we are dedicated to fostering a high OHS standard, providing safe and comfortable working environment to for all employees through different measures.

Our work safety rules and policies, which are in all material aspects in compliance with all the relevant laws, rules and regulations relating to health and safety requirements, including but not limited to Work Injury Compensation Act (Cap. 354) and the Workplace Safety and Health Act (Cap. 354A), Statutes of Singapore; the Employees' Compensation Ordinance (Cap. 282) and the Occupational Safety and Health Ordinance (Cap. 509), Laws of Hong Kong; the Occupational Safety and Health Act 1994 and Workmen's Compensation Act 1952, Laws of Malaysia; and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (2016) and the Regulation on Work-Related Injury Insurance of the PRC, have been implemented.

In accordance with the statutory requirements of Singapore, the Group has maintained group hospitalisation and surgical insurance for all confirmed office employees as stipulated by the Ministry of Manpower of Singapore. While in Hong Kong, the PRC and Malaysia, the Group maintains employee compensation insurance that includes work injury for our employees in Hong Kong, the PRC and Malaysia under regulatory requirements. These policies and insurance compensation cover all qualified employees to protect their health and safety against occupational hazards, accidents and sickness. We equip our offices and project sites with all the required safety equipment and facilities such as helmet, safety shoes and safety goggles and has passed all the governmental safety inspections.

We strictly adhere to all applicable laws and regulations, requiring our employees and subcontractors to follow our safety policies when performing their duties. In accordance with the Workplace Safety and Health (Construction) Regulations 2007, our employees are certified with the adequate health and safety training to supervise or oversee any process, or work carried out in a worksite. The Group has attained BizSafe Level 3 certification, proving our commitment to enhancing workplace health, safety and security. We provide adequate safety training courses for our employees, conduct risk assessments to identify potential OHS hazards prior to site deployment. Project implementation team and safety team regularly conduct pre-execution site safety briefings and site inspections during project execution to remind workers of precautionary and preventive safety measures. We perform periodic internal audits to ensure compliance with our systems manuals and procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since the global pandemic, the Group has heightened its awareness and commitment towards ensuring a safe and healthy working environment for its employees. The Group has closely followed the updates of the national epidemic prevention and control policy and issued epidemic prevention control notices to employees to remind them to maintain personal hygiene and take the adequate measures to reduce the risk of infection.

For each of the past three years, the Group has recorded no work-related fatalities and lost days due to work-related injury.

As at 30 June 2023, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

The Group believes in actively investing in our human capital to fuel business growth, and thus provides equal training and promotion opportunities to all employees. These training development courses aim to improve employees' efficiency, or enhance technical skills and knowledge required for their understanding of the job function and can cover various areas, including induction, safety management and on-job training, etc.

Comprehensive orientation training is provided to help new hires to better fit into our culture and familiarise themselves with the Group's internal policies and business development. The Group provides relevant on-the-job training according to employees' roles and positions. We support our employees to take part in external training courses or workshops that could directly and effectively expand their skill sets relating to their current job requirements and keep them abreast of the latest industry trends by providing an education sponsorship programme to the "active learners". This programme is open to all employees. We value our employees and we aim to foster a learning culture that not only strengthens employees' knowledge, but also benefits the Group as employees deliver improvement in job performance and integrate industry best practices through knowledge sharing. For the Year, the breakdown of the training data were as follows:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Percentage of Employees Receiving Training ¹¹	2022/2023	2021/2022
By Gender		
Male	84%	77%
Female	16%	23%
By Employment Category		
Senior Management	30%	14%
Middle Management	11%	4%
General Staff	59%	82%

Average Training Hours completed in 2022/2023 ¹²	2022/2023	2021/2022
By Gender		
Male	2.10	9.86
Female	0.46	2.86
By Employment Category		
Senior Management	1.96	43.20
Middle Management	1.46	2.00
General Staff	1.51	5.00

The Group will from time to time provide briefings to all directors to develop and refresh their knowledge and skills relating to their duties and responsibilities. In addition, to further enhance our employees' professional skills to meet the Group's development goals, the Group highly encourages them to continuous learning and attend external work-related seminars. Employees who have taken professional examinations and obtained vocational qualification certificates will be eligible to apply training sponsorship by the Group.

Our employees have completed various training courses to enhance their skills, such as electrical works training organised by the Building and Construction Authority, workplace safety and health management training accredited by the Singapore Workforce Skills Qualification System, as well as training sessions focused on human resources and payroll. Additionally, our employees have received training on the use of accounting software and popular e-commerce platforms like JD.com, Tmall, Taobao and Pinduoduo.

¹¹ Percentage of trained employee = Number of employees in the specified category received training during the Year/ Number of employees received training during the Year.

¹² Average training hours = Total training hours for employees in the specified category during the Year/ Total number of employees in the specified category at the end of the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

The Group recognises that child labour and forced labour violate human rights and the protocol of international labour conventions, and we agree they pose a threat to sustainable social and economic development. Thus, we strictly abide the Employment of Children and Young Persons Regulations, the Employment Act and the Prevention of Human Trafficking Act, Statutes of Singapore; Employment of Children Regulations and Employment of Young Persons (Industry) Regulations and the Employment Ordinance (Cap. 57), Laws of Hong Kong; the Children and Young Persons (Employment) Act 1966 and Employment Act 1955, Laws of Malaysia; and the Labour Contract Law and Regulations of the Prohibition of Using Child Labour of the PRC.

The Group prohibits child labour for any positions. We check and verify the identity cards or other identification documents of the candidates to mitigate the possible legal risks in the process of labour employment. We would strictly follow the employment contracts and would not prejudice the employment relationship in any way between the staff and the Group, such as detaining a deposit or forcing to work against their will under any kind of threat. Employment contracts are signed by the Group and the employees, explaining and detailing the rights and responsibilities of both parties to prohibit any labour exploitation and forced labour.

For the Year, the Group was not aware of any cases on non-compliance with laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

OPERATION MANAGEMENT

Supply Chain Management

The Group closely cooperates with its suppliers and service providers to constantly enhance its operation procedures and improve its service quality. We adopt a stringent supplier and service providers selection and management system to reduce procurement risks and promote responsible procurement.

When selecting suppliers, the Group assesses and oversees the performance of our suppliers by considering factors such as service quality, timely completion of required services or delivery of goods, responsiveness, and adherence to applicable rules and regulations. In this regard, a list of approved suppliers is maintained and updated timely to ensure a consistent quality level and identify any potential issues of the supply chain. Suppliers who do not meet the expected performance standards will be excluded from the list.

All materials delivered are examined by designated site staff before we accept them. Materials which are found to be defective or of unsatisfactory standard will be returned and replaced. We continue to monitor the performance of suppliers and subcontractors to ensure the sustainability of the supply chain. We tend to use local/nearby suppliers to reduce carbon footprint.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the Year, the number of suppliers and service providers by geographical region of the Group was as follows:

Number of Suppliers by Geographical Region	2022/2023	2021/2022
Europe	–	7
North America	11	6
The PRC	70	63
Singapore and Malaysia	40	159
Hong Kong	25	25

Product Responsibility

The Group continues to innovate and improve its products and services while consulting with our customers and observing industry trends. For our E-Commerce business division, we list our contact information on online platforms to a designated department for the handling of any enquiries or complaints from customers. The responsible department responds to customers' enquiries and maps out solutions catering to customer demands within specified time frame. If goods return or compensation is deemed necessary, it will be executed in accordance with the internal guidelines of the business. We strive to provide accurate information on our marketing material and forbid the use of any false, misleading or inaccurate statement in any form of our marketing activities.

For our sound and communication services solution business, our project management team organises routine safety supervision and inspection sessions at project sites to ascertain the service quality of our workers. We rectify any issues identified through safety supervision and inspection within a designated timeframe.

We have established and implemented a quality management system (“**QMS**”) in our operations to render premium and reliable services to our clients. Our QMS conforms to the internationally recognised ISO 9001:2015 standard as certified by SGS International Certification Services Singapore Pte Ltd. With the implementation of our QMS, we demonstrate our ability to consistently ensure the provision of healthy, safe and high-quality products and services to our customers.

Product Recall

As a distributor, the Group takes on the responsibility of closely collaborating with product manufacturers to take corrective actions when product defects are found. In the event of any deficiencies, the Group plays a vital role in effectively communicating and notifying consumers, E-commerce platforms, and other relevant parties about the product recall. We work together with the product producers to ensure that accurate and timely information is promptly disseminated through various channels, including websites, customer service hotlines, and social media platforms. Our utmost commitment is to recall the affected products swiftly and efficiently from the market, ensuring the health and safety of consumers are safeguarded.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, there had not been any product recalls for safety or health issues for our E-Commerce business nor have we received any complaints or claims from our customers arising from the quality issues of the works performed either by us or our sub-contractors, which in the view of directors was the result of the effective quality control measures.

Protection of Intellectual Property Rights and Data Privacy

We maintain the confidentiality of data from customers and business partners and employees under laws and regulations including the Personal Data Protection Act, Statutes of Singapore and the Personal Data (Privacy) Ordinance (Cap. 486), Laws of Hong Kong, the Personal Data Protection Act 2010, Laws of Malaysia, and Personal Information Protection Law in the PRC. We constantly ensure that all the personal and business data collected from our customers, business partners, or employees are treated as strictly confidential. Every employee is required to enter a labour contract which strictly forbids the disclosure of confidential or proprietary information outside the Group without authorisation. Through internal trainings and confidentiality agreements, the Group reminds our employees not to disclose any customers, business partners, or employees' information to third parties when collecting, using and accessing those information.

The Group requires all employees to respect copyright, strictly prohibit infringement and comply with all applicable laws and regulations. The Group also reviews every operational contract to ensure that the contract safeguards the intellectual property rights of the parties. We also request our suppliers and sub-contractors to comply with relevant laws and regulations.

With respect to fair advertising, the Group requires the employees of the sales department to provide customers with accurate and true information on the Group's products and services. Hotline and e-mail are also available for customer's enquires on service details to provide better before and after-sale services.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

ANTI-CORRUPTION

We understand the value of business ethics and integrity and is a trustworthy partner to our customers and business partners. We comply with relevant regulations and laws, including the Prevention of Corruption (Cap. 241) and Competition Act (Cap. 50B), Statutes of Singapore; Prevention of Bribery Ordinance (Cap. 201), and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), Competition Ordinance (Cap. 619), Laws of Hong Kong; the Anti-Corruption Commission Act 2009, Laws of Malaysia; and the Anti-Money Laundering Law, Criminal Law and the Anti-Unfair Competition Law of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group commits to operating its businesses with transparency and integrity. We establish anti-corruption and conflict-of-interest policies and guidelines which prohibits all forms of fraud and corruption, such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other disallowed advantages when dealing with the Group's business. Such policies are effectively conveyed to our employees during their induction training and are available for viewing in the Staff Handbook to ensure their understanding of and compliance with all the applicable anti-corruption laws and regulations.

The Group has established Code of Ethics to clearly inform our employees of the Group's strict standards regarding anti-corruption, anti-bribery, conflicts of interest, gift, procurement policies. It conveys our expected standards of conduct and practices to all staff members, who are required to adhere to the highest standards of business and professional ethics so that we can earn the trust of our business partners and customers. Regular training sessions will also be arranged to management and employees for enhancing ethical awareness in conducting business activities.

Through our Whistle-Blowing Policy, the Group aims to provide a safe, confidential, and legal channel for employees and related persons to report actual or suspected misconducts or illegal activities in corporate financial reporting, internal control or other relevant areas. To report any cases of misconduct, the relevant personnel are encouraged to reach out via email at whistleblowing@ispg.hk. The Whistle-Blowing Policy ensures that employees are at no risk of retaliation during and after the investigation on their reports. Investigation work for whistleblowing reports will be handled with strict confidentiality under any circumstances to preserve anonymity.

For the Year, the Group was not aware of any cases of non-compliance with laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud, and money laundering.

GIVING BACK TO THE COMMUNITY

The Group recognises the benefits of connecting different stakeholders to tackle challenges in the society together. With the recent government-led easing of movement controls, we continue to protect the public's health and safety by delivering maintenance service and support in compliance with all applicable social distancing measures and regulations as part of essential services operations.

Simultaneous to our pursuit of business development, the Group constantly communicates with the communities we operate in, to better understand them and cater more comprehensively to their needs. We continue to step up our philanthropic effort and encourage employee's participation in voluntary works and community activities. Our belief is that by fostering a sense of social responsibility and encouraging our employees to actively participate in community initiatives, we can cultivate a culture that promotes giving back and generates a substantial positive influence on the communities where we conduct our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

While ensuring public health and safety during the pandemic, the Group strives to adopt appropriate approaches to broaden the communities we serve and support the employment of people from different backgrounds. As part of our community outreach and inclusiveness program, during the Year, the Group has offered multiple short-term internship opportunities to students, hoping to foster interest in the career of sound and communication systems services among young population from diverse backgrounds in Singapore.

PERFORMANCE SUMMARY

Environmental Performance

Air Pollutant Emissions	Unit(s)	2022/2023	2021/2022
Nitrogen oxide (NO _x)	kg	107.61	61.96
Sulphur oxide (SO _x)	kg	0.12	0.03
Particulate matter (PM)	kg	10.31	5.94

GHG Emission Types	Unit(s)	2022/2023	2021/2022	
Direct emissions or removals from sources (Scope 1)				
GHG emissions from mobile combustion sources	Carbon dioxide (CO ₂)	tonne	19.84	11.79
	Methane (CH ₄)	kg	15.30	9.10
	Nitrous oxide (N ₂ O)	tonne	1.02	0.61
Energy indirect emissions (Scope 2)				
Electricity purchased from power companies	CO ₂ equivalent	tonne	34.53	31.63
Other indirect emissions (Scope 3)				
Paper waste disposed at landfills	CO ₂ equivalent	tonne	3.90	3.02
Electricity used for fresh water and sewage processing	CO ₂ equivalent	tonne	1.05	0.27
Business air travel by employees	CO ₂ equivalent	tonne	50.30	6.48
Total emissions	(Scope 1, 2 and 3)	tonne	110.65	53.81
Intensity	(per RMB 1 million of sales revenue)		0.53	0.56

Waste	Unit(s)	2022/2023	2021/2022
Total non-hazardous waste	kg	812.39	628.00
Intensity	kg/employee	5.05	4.16

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption	Unit(s)	2022/2023	2021/2022
Direct energy consumption	MWh	81.23	48.31
	MWh/RMB1 million of sales revenue	0.39	0.50
Indirect energy Consumption	MWh	73.28	55.61
	MWh/RMB1 million of sales revenue	0.35	0.58

Water Consumption		2022/23	2021/22
Consumption for the year	m ³	1,644.99	882.00
	m ³ /RMB1 million of sales revenue	7.84	9.24

Employee Composition	As at 30 June 2023	As at 30 June 2022
By Gender		
Male	109	99
Female	52	52
By Age Group		
18–30 years old	58	64
31–40 years old	63	53
41–50 years old	27	29
51–60 years old	11	4
Over 61 years old	2	1
By Employment Category		
Senior Management	23	17
Middle Management	26	18
General Staff	112	116
By Geographical Region		
Singapore	52	57
Malaysia	3	–
Hong Kong	12	2
The PRC	94	92

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Composition	Employee Turnover 2022/2023		Employee Turnover 2021/2022	
	Number of people	Turnover rate	Number of people	Turnover rate
By Gender				
Male	39	36%	9	9%
Female	34	65%	7	13%
By Age Group				
18–30 years old	46	79%	10	16%
31–40 years old	23	37%	3	6%
41–50 years old	4	15%	3	10%
51–60 years old	–	0%	–	0%
Over 61 years old	–	0%	–	0%
By Geographical Region				
Singapore	13	25%	9	16%
Malaysia	–	0%	–	0%
Hong Kong	2	17%	–	0%
PRC	58	62%	7	8%

Work Injury Statistics	Unit(s)	2022/2023	2021/2022	2020/2021
Number of work-related fatalities	Case(s)	–	–	–
Rate of work-related fatalities	Percentage	0%	0%	0%
Number of reported accidents (sick leave > 3 days)	Case(s)	–	–	–
Lost day due to injury	Day(s)	–	–	–

Percentage of Employees Receiving Training	2022/2023	2021/2022
By Gender		
Male	84%	77%
Female	16%	23%
By Employment Category		
Senior Management	30%	14%
Middle Management	11%	4%
General Staff	59%	82%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Average Training Hours completed in 2022/2023	2022/2023	2021/2022
By Gender		
Male	2.10	9.86
Female	0.46	2.86
By Employment Category		
Senior Management	1.96	43.20
Middle Management	1.46	2.00
General Staff	1.51	5.00

Number of Suppliers by Geographical Region	2022/2023	2021/2022
Europe	–	7
North America	11	6
PRC	70	63
Singapore and Malaysia	40	159
Hong Kong	25	25

ENVIRONMENTAL, SOCIAL AND GOVERNANCE INDEX

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 20 of the GEM Listing Rules. The following table provides an overview of the general disclosures and KPIs of various aspects under each subject area, which are either cross-referenced to the relevant chapters of the Report or supplementing the Report with additional information.

Description	Reference/Statement
ENVIRONMENTAL	
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 Aspects
KPI A1.1	The types of emissions and respective emissions data.
	Emissions Control
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).
	Emissions Control

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference/Statement
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A; During the Year, we did not generate hazardous wastes in our operations.
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Wastes Management
KPI A1.5 Description of emissions target(s) set and steps taken to achieve them.	Emissions Control
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.	Wastes Management
Aspect A2: USE OF RESOURCES	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Use of Resources
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).	Use of Resources
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
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.	N/A; During the Year, we encountered no issue in sourcing water that is fit for our purpose.
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A; During the Year, we do not generate significant packaging material wastes in our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference/Statement
Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES	
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources. Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. Environment and Natural Resources
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. Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which impact, the issuer, and the actions taken to manage them. Climate Change
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 hour, rest periods, equal opportunity, diversity, anti- discrimination, other benefits and welfare. Employment and Labour Practices
KPI B1.1	Total workforce by gender employment type, age group and geographical region. Employment and Labour Practices – Employee Composition
KPI B1.2	Employee turnover rate by gender, age group and geographical region. Employment and Labour Practices – Employee Turnover

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference/Statement
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 employee from occupational hazards.
KPI B2.1	Number and rate of work-related fatalities. Health and Safety; During the Year, we do not note any work-related fatalities due to work injury found.
KPI B2.2	Lost days due to work injury. Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored. Health and Safety
Aspect B3: DEVELOPMENT AND TRAINING	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description for training activities. Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management). Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category. Development and Training
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
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour. Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered. Labour Standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference/Statement
OPERATING PRACTICES	
Aspect B5: SUPPLY CHAIN MANAGEMENT	
General Disclosure	Policies on managing environmental and social risks of the supply chain. Supply Chain Management
KPI B5.1	Number of suppliers by geographical region. Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. N/A; During the Year, we did not use any environmentally preferable products and services.
Aspect B6: PRODUCT 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. Product Responsibility
KPI B6.1	Percentage to total products sold or shipped subject to recalls for safety and health reasons. Product Responsibility
KPI B6.2	Number of products and service-related complaints received how they are dealt with. Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights. Product Responsibility – Protection of Intellectual Property Rights and Data Privacy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Description	Reference/Statement
KPI B6.4 Description of quality assurance process and recall procedures.	Product Responsibility – Product Recall
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Protection of Intellectual Property Rights and Data Privacy
Aspect B7: ANTI-CORRUPTION	
General Disclosure Information on (a) the policies: and (b) compliance with relevant laws and regulations that they have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcome of the cases.	Anti-Corruption
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption
KPI B7.3 Description of anti-corruption training provided to directors and staff.	Anti-Corruption
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.	Giving Back to the Community
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Giving Back to the Community
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Giving Back to the Community

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good corporate governance to improve accountability and transparency, and to safeguard the interest of shareholders.

The Company has adopted the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules during the Year and up to the date of this report (the “**Relevant Period**”). Having made specific enquires of the Directors, all the Directors have confirmed that they have complied with the required CG Code’s standard for the Relevant Period.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors’ securities transactions by Directors in respect of the shares of the Company (the “**Code of Conduct**”). After specific enquires by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Relevant Period.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company’s success by directing and supervising its affairs. Directors take decisions objectively in the best interests of the Company. The Board meets regularly and regular board meetings are held four times a year at quarterly intervals.

BOARD COMPOSITION

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is an independent element on the Board, which can effectively exercise independent judgement, and that non-executive Directors should be of sufficient calibre and number for their views to carry weight.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the Board comprises the following nine Directors:

Executive Directors

Mr. Cao Chunmeng (Chairman)

Mr. Han Bing (redesignated as Chief Executive Officer on 31 October 2022)

Ms. Choon Shew Lang (retired from Chief Executive Officer on 31 October 2022)

Mr. Mong Kean Yeow

Mr. Yuan Shuangshun

Non-executive Director

Mr. Qiu Yingming (appointed on 1 March 2023)

Independent Non-executive Directors (“INED”)

Mr. Yan Xiaotian

Mr. Tang Chi Wai

Mr. Zheng Xiaorong (appointed on 1 July 2022)

Dr. Cai Rongxin (resigned on 1 July 2022)

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the regular Board meetings, Board committee meetings and the general meeting of the Company held during the Year is set out in the table below:

	Number of meetings held during the Year					Annual General Meeting of the Company ("AGM") held on 28 October 2022
	Attended/number of meetings held during the respective Director's tenure					
	Regular Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee		
Number of meetings held	5	4	2	2		1
Executive Directors						
Mr. Cao Chunmeng (Chairman)	5/5	N/A	2/2	N/A		1/1
Mr. Han Bing (redesignated as Chief Executive Officer on 31 October 2022)	5/5	N/A	N/A	2/2		1/1
Ms. Choon Shew Lang (retired from Chief Executive Officer on 31 October 2022)	5/5	N/A	N/A	N/A		1/1
Mr. Mong Kean Yeow	5/5	N/A	N/A	N/A		1/1
Mr. Yuan Shuangshun	5/5	N/A	N/A	N/A		1/1
Non-executive Director						
Mr. Qiu Yingming (appointed on 1 March 2023)	2/2	N/A	N/A	N/A		N/A
Independent non-executive Directors						
Mr. Tang Chi Wai	5/5	4/4	N/A	2/2		1/1
Mr. Yan Xiaotian	5/5	4/4	2/2	2/2		1/1
Mr. Zheng Xiaorong (appointed on 1 July 2022)	5/5	4/4	2/2	N/A		1/1
Dr. Cai Rongxin (resigned on 1 July 2022)	N/A	N/A	N/A	N/A		N/A

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs have made various contributions to the Company.

CORPORATE GOVERNANCE REPORT

The Company has received from each INED an annual confirmation of his independence, and the Company considers such INED to be independent in accordance with the guidelines set out in Rule 5.09 of the GEM Listing Rules.

Appropriate insurance coverage in respect of legal action against the Directors has also been arranged by the Company.

APPOINTMENTS, RE-ELECTION AND REMOVAL

In accordance with the second amended and restated articles of association ("**Articles of Association**"), all the Directors are subject to retirement by rotation at least once every three years. Any new Director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his/her appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following AGM and shall then be eligible for re-election.

ROLE AND RESPONSIBILITIES

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Group's business has been delegated to management under the leadership of the chief executive officer of the Group.

The principal roles of the Board are:

- Set long term objectives and strategies;
- Approve major policies and guidelines;
- Prepare and approve financial statements, annual report, interim report, and quarterly report;
- Approve major capital expenditures, acquisition and disposals;
- Approve connected transactions;
- Approve material borrowings and expenditures;
- Review and monitor internal control and risk management; and
- Declare and recommend the payment of dividends

The Board is also responsible for the corporate governance functions of the Group, which includes:

- Develop and review of the Group's policies and practices on corporate governance;
- Review and monitor the training and continuous professional development of directors and senior management;
- Review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- Develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
- Review the Group's compliance with the CG Code and disclosure in the corporate governance report.

During the Relevant Period, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three board committees of the Company to oversee specific aspects of the Group's affairs, namely audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"). Each board committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each board committee has also been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent profession advice in appropriate circumstances at the Group's expense.

Audit Committee

The Group established the Audit Committee on 14 December 2017 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph D.3.3 of the CG Code. The primary duties of our Audit Committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts, our half-year report, and quarterly report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our Audit Committee comprises three INEDs, namely Mr. Zheng Xiaorong, Mr. Yan Xiaotian and Mr. Tang Chi Wai. Mr. Tang Chi Wai is the chairman of our Audit Committee.

During the Year, the Audit Committee held four meetings, at which it has reviewed and discussed (i) the Group's consolidated financial results for the Year, including the accounting principles and practice adopted by the Group, (ii) the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, (iii) the effectiveness of the Group's risk management and internal control systems as well as the Group's internal audit function, (iv) considered, adopted and/or recommended to the Board the amendments to the terms of reference of the Audit Committee. The Audit Committee has also recommended to the Board to consider the re-appointment of Moore CPA Limited (Formerly, Moore Stephens CPA Limited) ("**Moore**") as the Company's external independent auditors at the forthcoming AGM.

Nomination Committee

The Group established the Nomination Committee on 14 December 2017 with written terms of reference in compliance with paragraph B.3.1 of the CG Code. The primary duties of our Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our INEDs; and (d) making recommendations to our Board on the appointment and succession planning for our Directors. Our Nomination Committee comprises two INEDs, namely Mr. Zheng Xiaorong and Mr. Yan Xiaotian, and one executive Director, namely Mr. Cao Chunmeng. Mr. Cao is the chairman of our Nomination Committee.

CORPORATE GOVERNANCE REPORT

During the Year, the Nomination Committee held two meetings, at which it (i) assessed the independence of the INEDs, (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM, (iii) considered and approved of the appointment and retirement of Directors, and (iv) considered, adopted and/or recommended to the Board the amendments to the policy of Board diversity, nomination policy and terms of reference of the Nomination Committee.

Remuneration Committee

The Group established the Remuneration Committee on 14 December 2017 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph E.1.2 of the CG Code. The primary duties of our Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; (d) the remuneration of our non-executive Directors; and (e) the review and/or approval of matters relating to share schemes under Chapter 23 of the GEM Listing Rules. Our Remuneration Committee comprises two INEDs, namely Mr. Yan Xiaotian and Mr. Tang Chi Wai and one executive Director namely Mr. Han Bing. Mr. Yan Xiaotian is the chairman of our Remuneration Committee.

During the Year, the Remuneration Committee held two meetings, at which it (i) reviewed the remuneration policy and structure for as well as the remuneration packages of all Directors and the senior management, (ii) considered and approved of remuneration package of executive Directors, and (iii) to consider, approve and make recommendation to the Board in relation to the grant of share awards to employees of the Group under the Share Award Scheme. No Director was involved in deciding his/her own remuneration.

BOARD DIVERSITY POLICY

During the Relevant Period, the Board has adopted a policy of the Board diversity (the “**Board Diversity Policy**”) which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

In designing the Board’s composition, the Company considers diversity of board members through a number of aspects, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional experience, skills and/or qualifications, knowledge, length of service and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board consists of one female and eight male Directors. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the objectives of its Board Diversity Policy for the Relevant Period.

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. As at 30 June 2023, the male to female ratio in the workforce of the Group including senior management is approximately 68:32. The Board considers that the gender diversity in workforce is currently achieved.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Company has adopted nomination policy (the “**Nomination Policy**”) for the purpose to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- Reputation for integrity;
- Accomplishment, experience and reputation in the relevant industry and other relevant sectors;
- Commitment in respect of sufficient time, interest and attention to the Company’s business;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;
- The ability to assist and support management and make significant contributions to the Company’s success;
- Compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive Director; and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the shareholders for consideration and determination.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company has adopted dividend policy (the “**Dividend Policy**”) in compliance with code provision F.1.1 of the CG Code. It is the policy of the Company, in considering the payments of dividends and to allow shareholders of the Company to participate in the Company’s profits whilst retaining adequate reserves for future growth of the Group.

Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

- the general financial condition of the Group;
- capital and debt level of the Group;
- future cash requirements and availability for business operations, business strategies and future development needs;
- any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- the general market conditions; and
- any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and the Articles of Association. The Policy will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of one year and such letter of appointment may be terminated by either party giving at least one month’s notice in writing. Also, the INEDs are subject to re-election on retirement by rotation at the AGM in accordance with the Articles of Association.

The Company has received written annual confirmation from each INEDs of their independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all INEDs namely Mr. Zheng Xiaorong, Mr. Yan Xiaotian, and Mr. Tang Chi Wai to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the Year.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statutes and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their knowledge and skills relating to their duties and responsibilities.

Pursuant to the Code Provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. According to the training records maintained by the Company, all Directors have participated in continuous professional development relevant to his or her professional duties as Director during the Year.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or insider information or any use of such information for the advantage of any individuals. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and the Board will decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of Stock Exchange and the Company in due course.

REMUNERATION OF SENIOR MANAGEMENT

During the Year, the remuneration bands of senior management is listed as follows:

Band of remuneration (HK\$)	No. of person(s)
HK\$0 to HK\$1,000,000	1
HK\$2,000,001 to HK\$2,500,000	1

Further details of the remuneration of the Directors and the 5 highest paid employees are set out in note 10 to the consolidation financial statements.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors also acknowledge their responsibility to ensure the financial statements are published in a timely manner. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the external independent auditor of the Company, Moore, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 93 to 98 of this report.

INDEPENDENT AUDITOR'S REMUNERATION

During the Year, the fee paid/payable to Moore and its affiliates is as follows:

Description	RMB'000
Audit services – Annual audit	823

COMPANY SECRETARY

Mr. Chung Man Wai, Stephen was resigned on 31 October 2022, Mr. Chan Kwok Wai ('**Mr. Chan**') was appointed as the company secretary of the Company with effect from 31 October 2022. During the Year, Mr. Chan has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of GEM Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the shareholders and the assets of the Company.

The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavours to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks (including ESG risks) within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.
2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.
3. The Board is responsible for supervising the management in relation to design, implementation, and monitoring of both the risk management and internal control systems, and the management provides confirmation to the Board on the effectiveness of the system.

The risk management framework, coupled with our internal controls, ensures the risk associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. But the Group has conducted an annual review on whether there is a need for such an internal audit department. Given the Group's relatively simple corporate and operation structure, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group including financial, operational and compliance controls and risk management functions and for reviewing its effectiveness.

The Group engaged an independent internal control consultant, Premier Advisory Services Limited, to conduct review on the internal control system of the Group during the Year. The review covers certain procedures on the provision and maintenance of sound and communications systems and related services undertaken by the Group, and make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

The Group's risk management and internal control systems are aimed to manage, rather than eliminating, the risk of failure to achieve business objectives and thus can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequate resources, staff qualifications and experience, training programs and the budget accounting and financial reporting as well as those relating to our ESG performance and reporting. The Board concluded that the Group's risk management and internal control systems were in place and effective.

In order to preempt any potential instances of misconduct, the Group has a whistleblowing policy and system for employees and those who deal with the Group to raise concerns. To report any cases of misconduct, the relevant personnel could submit any related information via email at whistleblowing@ispg.hk. Investigations for whistleblowing reports will be handled by the audit committee with strict and confidential manner to respond possible improprieties in any matter related to the Group.

With respect to anti-corruption practices, the Group established anti-corruption and conflict of interest policies and guidelines to promote and support anti-corruption laws and regulations and enhances the provisions relating to corruption in the Group's Code of Ethics.

With respect to the monitoring and disclosure of insider information, the Group has adopted a policy on disclosure of insider information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

Pursuant to the Articles of Association, and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time), the Board may, whenever it thinks fit, convene an extraordinary general meeting (“EGM”). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose requiring an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company by mail at Suite 4302, 43/F. Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to require an EGM to be called by the Board for the transaction of any business specified in such requisition. Such requisition should specify clearly the name of the eligible shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the eligible shareholder(s) concerned together with a sum of money reasonably sufficient to meet the Company’s expenses in serving the notice of the resolution and circulating the statement by submitted by shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

The requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company’s expenses for the said purposes, the eligible shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.

If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, 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.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above in the paragraph headed “Procedures for Convening General Meetings by Shareholders”.

Procedures by which Enquiries may be put to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are encouraged to send their enquiries to the Board by post to the principal place of business set out in the section headed “Corporate Information” in this report. Shareholders may also make enquires with the Board at the general meetings of the Company.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community. The Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to, annual, interim and quarterly reports, circulars, announcements, and notices of AGMs are available on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ispg.hk).

In addition, the Company regards the AGM as an important event as it provides an opportunity for direct communication between the Board and its shareholders. Shareholders are encouraged to attend the AGM, where all Board members and external auditors are available to answer questions on the Group's business.

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

CONSTITUTIONAL DOCUMENTS

During the Relevant Period, the shareholders passed a special resolution on 28 October 2022 approving the adoption of the second amended and restated memorandum and articles of association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company.

The amended and restated memorandum and articles of association of the Company are available for viewing on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Board is pleased to submit this annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is that of investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 27 to the consolidated financial statements.

REORGANISATION AND SHARE OFFER

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 21 July 2017. Its shares were listed on GEM of the Stock Exchange on 16 January 2018. Pursuant to the reorganisation of the Group in connection with the listing of the Shares on GEM of the Stock Exchange, the Company underwent a corporate reorganisation (the “**Reorganisation**”) and the Company became the holding company of the Group on 8 December 2017. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” to the Prospectus.

DIRECTORS

During the Year and up to the date of this report, the Board comprises the following Directors:

Executive Directors

Mr. Cao Chunmeng (Chairman)

Mr. Han Bing (redesignated as Chief Executive Officer on 31 October 2022)

Ms. Choon Shew Lang (retired from Chief Executive Officer on 31 October 2022)

Mr. Mong Kean Yeow

Mr. Yuan Shuangshun

Non-Executive Director

Mr. Qiu Yingming (appointed on 1 March 2023)

Independent Non-executive Directors (“INED”)

Mr. Tang Chi Wai

Mr. Yan Xiaotian

Mr. Zheng Xiaorong (appointed on 1 July 2022)

Dr. Cai Rongxin (resigned on 1 July 2022)

In accordance with Article 108(a) of the Articles of Association, Mr. Cao Chunmeng, Ms. Choon Shew Lang and Mr. Yan Xiaotian will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

In accordance with Article 112 of the Articles of Association, Mr. Qiu Yingming will hold office until the first general meeting of the Company after the appointment and shall then be eligible for re-election. Accordingly, Mr. Qiu Yingming will retire at the AGM and being eligible, would offer himself for re-election.

The biographical details of the Directors and the senior management of the Company are set out on pages 7 to 11 of this report.

RESULTS/BUSINESS REVIEW

The results of the Group for the Year are set out in the section headed “Consolidated Statements of Profit or Loss and Other Comprehensive Income” on page 99 of this report. The business review of the Group for the Year and the outlook are set out in the section headed “Management Discussion and Analysis” on pages 12 to 30 in this report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on pages 183 to 184 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 22 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the “Consolidated Financial Statement of Changes in Equity” on page 102 and note 30 to the consolidated financial statements.

The Company did not have distributable reserve as at 30 June 2023, calculated under the Companies Law of Cayman Islands, as it has accumulated losses.

REPORT OF THE DIRECTORS

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of any final dividend for the Year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

The Board confirms that during the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and the Share Award Scheme, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE AWARD SCHEME

On 18 February 2021, the Company adopted the Share Award Scheme to recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The details are set out in the announcements of the Company dated 18 February 2021 and 9 March 2021. According to the Share Award Scheme, the award shares will be satisfied by way of (i) allotment and issue of new Shares to the trustee at the subscription price under general mandate or specific mandate (as the case may be); or (ii) acquisition of existing Shares through on-market transactions by the trustee and will be held on trust until they are vested. The maximum number of all award shares granted under the Share Award Scheme shall not exceed 1% of the total issued share capital of the Company from time to time.

On 18 April 2023, the Company has allotted and issued of 24,000,000 shares (the "**Awarded Shares**") to a trustee as fully paid at nominal value under the general mandate pursuant to the share award scheme (the "**Share Award Scheme**"). The Awarded Shares represented approximately 2.65% of the enlarged issued share capital of the Company as at the date of this report. On the issuance date, the trustee held such Awarded Shares on trust for the 16 selected participants and will transfer the respective proportions to each of them at nil consideration upon vesting and settlement of their respective Awarded Shares. Accordingly, no fund was raised from the allotment and issue of the Awarded Shares. The details of grant of Awarded Shares are set out in the announcement of the Company dated 29 March 2023.

During the Year, no award shares had been purchased under the Share Award Scheme.

REPORT OF THE DIRECTORS

Movement of the awarded Shares, which were granted under the Share Award Scheme, during the year ended 30 June 2023 are listed below in accordance with Rule 23.07 of the GEM Listing Rules:

Category	Date of grant	Number of awarded Shares			Closing price per Share HK\$ (Note a)	Purchase Price HK\$	Vesting Period (Note b)
		Unvested as at 01/07/2022	Granted during the year	Unvested as at 30/06/2023			
16 continuous contract employees of the Group	29/03/2023	-	24,000,000	24,000,000	0.255	N/A	12 months from the date of grant

Notes:

- This represented the closing price of the Shares immediately before the date on which the awarded Shares were granted.
- The vesting period of the awarded Shares is from the date of grant until the date of vesting.
- During the Year, no awarded Shares was transferred from/to other category, cancelled or lapsed under the Share Award Scheme.
- There are no participants with awarded Shares granted in excess of the individual limit and no grants to suppliers of goods and services. There is no performance target attached to the awards granted. The above employees with awarded Shares are not Directors or senior managers (as defined in the GEM Listing Rules).
- The funds provided by the Company to the trustee of the Share Award Scheme for purchase of Shares from the market are expensed as part of the discretionary bonuses under the employee benefit expenses at the year of grant, which is determined based on the overall performance of the eligible participants and the Group.

SUMMARY OF THE SHARE AWARD SCHEME

Details	Share Award Scheme
1. Purpose	To recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.
2. Eligible Persons	Any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group unless otherwise necessary or expedient to be excluded.

REPORT OF THE DIRECTORS

Details	Share Award Scheme
3. Maximum number of Shares	<p>During the Year, 24,000,000 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 30 June 2023, a total of 24,000,000 awarded Shares have been granted under the Share Award Scheme (representing approximately 2.65% of the issued share capital of the Company as at 30 June 2023 and the date of this annual report, respectively), of which 24,000,000 remain unvested. The maximum number of the Shares which can be awarded under the Share Award Scheme is 10% of the total number of Shares in issue from time to time.</p> <p>As at the date of this report, the total number of shares available for issue under the Share Award Scheme was 64,000,000 Shares (representing approximately 7.08% of total number of issued shares of the Company as at the date of this report).</p> <p>The number of share options available for grant under the Share Award Scheme was 88,000,000 Shares as at 1 July 2022, and 64,000,000 Shares as at 30 June 2023.</p>
4. Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time.
5. Vesting period	The Board may, from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested. The Board may in its absolute discretion decide whether any award shall lapse or shall be subject to such conditions or limitations as the Board may decide.
6. Acceptance of offer	N/A
7. Exercise price / Purchase price	N/A
8. Remaining life of the scheme	It shall be valid and effective for the award period, which commences on the adoption date, namely 18 February 2021, and ends on (i) the business day immediately prior to the 10th anniversary of the adoption date, i.e. 17 February 2031. As at the date of this report, the remaining life of the Share award Scheme was about 7 years and 4 months; and (ii) such date of early termination as determined by the Board by a resolution of the Board provided that such termination does not affect any subsisting rights of any selected Eligible Persons specified under paragraph 2 above.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 14 December 2017 (the “**Adoption Date**”). The terms of the Share Option Scheme are in accordance 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 of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution to the Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (“**Invested Entity**”).

(B) Participants of the Share Option Scheme

- (1) Any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any Invested Entity;
- (2) Any director (including executive, non-executive and independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (3) Any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) Any customer of the Group or any Invested Entity;
- (5) Any consultant adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (6) Or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

(C) Total number of Shares available for Issue under the Share Option Scheme

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the 16 January 2018, being 80,000,000 Share (the “**Scheme Limit**”). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in that general meeting.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 14,700,000 Shares (representing approximately 1.6% of total number of issued shares of the Company as at the date of this report).

The number of share options available for grant under the Share Option Scheme was 14,700,000 Shares as at 1 July 2022, and 14,700,000 Shares as at 30 June 2023.

REPORT OF THE DIRECTORS

(D) Maximum Entitlement of Each Participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

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

(E) Period within which the Shares must be taken up under an Option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) Minimum period for which an Option must be held before it can be exercised

The minimum period will be determined by the Board upon the grant of an option.

(G) Amount payable on acceptance of an option and the Period within which payments shall be made

A consideration of HK\$1 (approximately RMB0.93) is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date no later than 21 business days from the date upon which it is made.

(H) Basis of determining the Exercise Price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of the share on the date of grant.

(I) Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 13 December 2027. As at the date of this report, the remaining life of the Share Option Scheme was about 4 years and 2 months.

REPORT OF THE DIRECTORS

The following table sets out the change of number of share options outstanding under the Share Option Scheme:

As at 30 June 2023, options to subscribe for an aggregate of 57,500,000 shares of the Company granted to Directors, certain employees and external consultant pursuant to the Share Option Scheme remained outstanding, details of which were as follows:

Name and category of participants	Date of grant	Exercise price per option	Exercise period	Closing price of the Company's shares immediately before the grant date	Vesting period	At 1 July 2022	Granted during the year	Lapsed/ forfeited during the year	At 30 June 2023
Directors									
Mr. Yuan Shuangshun	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	HK\$0.2	N/A	2,400,000	-	-	2,400,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	HK\$0.2	1st anniversary of the date of grant	2,400,000	-	-	2,400,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	HK\$0.2	2nd anniversary of the date of grant	3,200,000	-	-	3,200,000
Sub-total						8,000,000			8,000,000
Mr. Han Bing	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	HK\$0.2	N/A	2,400,000	-	-	2,400,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	HK\$0.2	1st anniversary of the date of grant	2,400,000	-	-	2,400,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	HK\$0.2	2nd anniversary of the date of grant	3,200,000	-	-	3,200,000
Sub-total						8,000,000			8,000,000
Mr. Yan Xiaotian	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	HK\$0.2	N/A	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	HK\$0.2	1st anniversary of the date of grant	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	HK\$0.2	2nd anniversary of the date of grant	320,000	-	-	320,000
Sub-total						800,000			800,000
Mr. Tang Chi Wai	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	HK\$0.2	N/A	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	HK\$0.2	1st anniversary of the date of grant	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	HK\$0.2	2nd anniversary of the date of grant	320,000	-	-	320,000
Sub-total						800,000			800,000
Dr. Cai Rongxin (Note 1)	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	HK\$0.2	N/A	240,000	-	(240,000)	-
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	HK\$0.2	1st anniversary of the date of grant	240,000	-	(240,000)	-
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	HK\$0.2	2nd anniversary of the date of grant	320,000	-	(320,000)	-
Sub-total						800,000		(800,000)	-
Employees – In aggregate	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	HK\$0.2	N/A	13,410,000	-	1,080,000	12,330,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	HK\$0.2	1st anniversary of the date of grant	13,410,000	-	1,080,000	12,330,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	HK\$0.2	2nd anniversary of the date of grant	17,880,000	-	1,440,000	16,440,000
Sub-total						44,700,000	3,600,000	41,100,000	

REPORT OF THE DIRECTORS

Name and category of participants	Date of grant	Exercise price per option	Exercise period	Closing price of the Company's shares immediately before the grant date	Vesting period	At 1 July 2022	Granted during the year	Lapsed/ forfeited during the year	At 30 June 2023
External consultant (Note 2)									
Mr. Liuqingwang	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	HK\$0.2	N/A	300,000	-	-	300,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	HK\$0.2	1st anniversary of the date of grant	300,000	-	-	300,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	HK\$0.2	2nd anniversary of the date of grant	400,000	-	-	400,000
Sub-total						1,000,000			1,000,000
Total						64,100,000	-	4,400,000	57,500,000

Notes:

- Dr. Cai Rongxin, an independent non-executive director of the Company, resigned on 1 July 2022 and his 800,000 share options were lapsed accordingly.
- For further details of the grant of share options to Mr. Liuqingwang, external consultant of the Company, please refer to the Company's announcement dated 14 December 2022.

As of the date of this report, no share options were exercised.

Save as disclosed above, no other share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year.

The total number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Year (i.e. 24,000,000) divided by the weighted average number of Shares of the relevant class in issue (i.e. 880,000,000 Shares) for the Year was 2.72%.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the Year attributable to the Group's major customers and suppliers are as follows:

	%
SALES	
– The largest customer	40.2
– Five largest customers	57.4
PURCHASES	
– The largest supplier	44.0
– Five largest suppliers	80.6

None of the Directors, their associates or any shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Year, details of significant transactions with its related parties or transactions undertaken in the normal course of business are set out in the note 26 to the consolidated financial statements. None of those transactions constitutes a disclosable connected transaction pursuant to Chapter 20 of the GEM Listing Rules.

DISCLOSURE OF INTERESTS

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 ASSOCIATED CORPORATION

As at 30 June 2023, the interests and short positions of the Directors or 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 (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

I. Long position in the ordinary shares of the Company

Name of Directors	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of shareholding in the Company
Mr. Cao Chunmeng (“ Mr. Cao ”)	Beneficial owner	105,970,000	11.72%
Mr. Yuan Shuangshun (Note)	Beneficial owner/Interest of spouse	4,356,000	0.48%
Mr. Han Bing	Beneficial owner	1,000,000	0.11%

Note: Ms. Zeng Xiu Hua, the spouse of Mr. Yuan Shuangshun, holds 844,000 ordinary shares of the Company. By virtue of the SFO, Mr. Yuan Shuangshun is deemed to be interested in the 844,000 ordinary shares.

REPORT OF THE DIRECTORS

II. Long position in underlying shares or equity derivatives of the Company

Name	Capacity/Nature of interest	Share options	Approximate percentage of shareholding in the Company	Approximate percentage of shareholding in the Company assuming all the share options granted under Share Option Scheme were exercised
Mr. Yuan Shuangshun	Beneficial owner	8,000,000	0.88%	0.83%
Mr. Han Bing	Beneficial owner	8,000,000	0.88%	0.83%
Mr. Yan Xiaotian	Beneficial owner	800,000	0.09%	0.08%
Mr. Tang Chi Wai	Beneficial owner	800,000	0.09%	0.08%
Dr. Cai Rongxin (Note)	Beneficial owner	800,000	0.09%	0.08%

Note: Dr. Cai Rongxin, an independent non-executive director of the Company resigned on 1 July 2022 and his 800,000 share options were lapsed accordingly.

Save as disclosed above, as at 30 June 2023, none of the Directors had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the CG Code.

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

As at 30 June 2023, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have interests and short positions in 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 recorded in the register required to be kept by the Company under Section 336 of the SFO was as follows:

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Lux Aeterna Global Fund SPC	Beneficial owner	65,300,000	7.22%

Save as disclosed above, as at 30 June 2023, so far as is known to the Directors or chief executive of the Company, no other persons, other than the Directors and chief executive of the Company whose interests are set out in the section "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 ASSOCIATED CORPORATION" above, had any interest or a short position 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 recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Mr. Mong Kean Yeow and Ms. Choon Shew Lang are executive Directors currently in office and they have entered into service agreements with the Company for a term of three years commencing from 16 January 2018. Mr. SS Yuan and Mr. Han Bing entered into a service agreement with the Company for a term of three years commencing from 22 March 2021 and 1 September 2021 respectively. Mr. Cao Chunmeng, who has been redesignated as an executive Director on 1 January 2022, has entered into a service agreement with the Company for a term of three years commencing from 1 January 2022. Mr. Qiu Yingming entered into a service agreement with the Company for a term of three years commencing from 1 March 2023. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles of Association.

Mr. Tang Chi Wai, Mr. Zheng Xiaorong and Mr. Yan Xiaotian separately entered into a letter of appointment with the Company for an initial term of one year commencing from 16 January 2018, 1 December 2020, and 1 July 2022 respectively. The letters of appointment may be terminated by either party giving no less than one month's written notice served by either party on the other. The term of INEDs is subject to retirement and be subject to re-election in the forthcoming annual general meeting of the Company.

Save as disclosed above, none of the Directors who proposed to be re-elected at the forthcoming AGM has entered into a service contract that are not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Directors' emoluments are subject to the Company's shareholders' approval at general meetings and such emoluments shall be determined by the Board and the Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of remuneration of the Directors are set out in note 10 to the consolidated financial statements.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits in kind and other compensation payable to the Directors and senior management, after consultation with the chairman and the chief executive officer of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group.

Details of the Directors' remuneration and the five highest paid individuals are set out in note 10 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

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

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors or any entity connected with the Directors had a material interest, either directly or indirectly, in any significant transactions, arrangements and contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party for the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No Director has entered in any arrangement to enable himself/herself to acquire benefits by means of acquisition of shares in or debentures of the Company or any Invested Entity during the Year and up to the date of this report.

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.

INTEREST IN COMPETING INTERESTS

The Directors confirm that neither the Directors nor the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Year, and is required to be disclosed pursuant to GEM Listing Rules.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

During the Year, based on the information that is publicly available to the Company and within the best knowledge of the Directors, Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the GEM Listing Rules.

RETIREMENT SCHEME

During the Year, the Group participates in the Central Provident Fund in Singapore, Employees' Provident Fund in Malaysia, Mandatory Provident Fund in Hong Kong ("**MPF Scheme**"), and Social Insurance in the PRC which are defined contribution retirement plans, when employees have rendered service entitling them to the contributions. Save for the aforementioned, the Group did not participate in any other pension schemes.

Under the MPF Scheme, the Group may use voluntary contributions forfeited by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions to reduce the existing level of contributions. Nonetheless, there were no forfeited contributions, and therefore no such contributions used to reduce the existing level of contributions, during the Year (2022: nil).

Under the central pension schemes to which the Group's subsidiaries operating in the PRC, Singapore and Malaysia are required to make contributions, no forfeited contributions may be used by the employer to reduce the existing level of those contributions.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The environmental policies and performance of the Group are provided in the section headed "Environmental, Social and Governance Report" in this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group fully complies with all laws and regulations and regularly monitors and gathers information about changes in laws, rules and regulations relevant to the Group's businesses to ensure the Group's observance of those applicable laws, rules and regulations, especially those which may have material impact on the Group.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 65 to 77 of the annual report.

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Singapore dollars (“**S\$**”) used to be regarded as the presentation currencies of the Group. Having considered that most of the Group’s business and assets/(liabilities) are located in the PRC and its transactions are mainly denominated and settled in Renminbi (“**RMB**”), the Directors announced that the presentation currency used in the consolidated financial statements of the Group will be changed to RMB from S\$ (the “**Change of Presentation Currency**”) with effective from the annual results for the Year as at the announcement of the Company dated 17 August 2023. The Change of Presentation Currency will enable the shareholders and potential investors of the Company to have a more accurate picture of the Group’s financial performance and thus the Directors consider that it is more appropriate to use RMB as the presentation currency for the Group’s consolidated financial statements.

Having duly considered the latest circumstances of the net proceeds raised from the listing of the shares of the Company on GEM after deducting related expenses (“**Net Proceeds**”), the Board resolved to further reallocate and/or extend the timeline for fully utilising the unutilised Net Proceeds. For the details of the reallocations, the latest timeline and the reasons for and benefits of the further change in use of Net Proceeds, please refer to the announcement of the Company dated 6 September 2023.

Saved as the events disclosed above, the Group had no other significant events from the end of the reporting period to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the years ended 30 June 2023 and 2022 have been audited by Moore.

A resolution will be proposed at the forthcoming AGM for the re-appointment of Moore as the independent auditor of the Company.

By Order of the Board

ISP Global Limited

Cao Chunmeng

Chairman and executive Director

Hong Kong, 27 September 2023

INDEPENDENT AUDITOR'S REPORT



Moore CPA Limited

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To the Shareholders of ISP Global Limited

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ISP Global Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 99 to 182, which comprise the consolidated statement of financial position as 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 the 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 as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**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 (“**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.

INDEPENDENT AUDITOR'S REPORT

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 year. 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.

Revenue recognition for sale of networking, sound and communication systems and consumer products

Refer to Notes 3, 4 and 5 to the consolidated financial statements

Key Audit Matter

The Group recognised revenue from sale of networking, sound, and communication systems and sale of consumer products of approximately RMB80,453,000 and RMB129,354,000 respectively for the year ended 30 June 2023, where the period in which such revenue is recorded is an inherent risk due to large volumes of customers' orders, and when the customers have taken possession of and accepted the goods.

In addition, significant management judgements were involved in revenue recognition from sale of consumer products, such as determining whether the role of the Group in those transactions was acting as a principal or an agent and whether to recognise revenue on a gross or net basis. The assessment included considering and weighing key features e.g. which party bears the primary responsibility, inventory risks, and the discretion to establish prices.

How our audit addressed the Key Audit Matter

Our key procedures to address the matter included:

- Inspecting sales agreements signed in the current year, on a sample basis, to understand the terms of sales transactions including the terms of delivery and acceptance and any return arrangements to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;
- Inspecting invoices and credit notes issued prior to and subsequent to the year-end on sample basis; and
- Checking the appropriateness of timing of recorded transactions, which is measured by the acknowledgement and acceptance by the customers.

We also performed the following procedures in relation to the judgement as to whether the Group acts as the principal or agent and hence whether revenue is recognised on a gross or net basis:

- Inspecting the contracts and discussing with the management to assess relevant terms, including who is the primary obligor to provide goods or services to the customers, who has the inventory risks; and
- Checking on a samples basis, the background of the Group's customers and suppliers and discussing with management to understand the key areas of their cooperation, such as how their relationships were established, how the price was negotiated and determined and the acceptance of goods delivered.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Impairment assessment of trade receivables

Refer to Notes 3, 4, 16 and 32(c) to the consolidated financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>As at 30 June 2023, the Group had trade receivables with net carrying amount of approximately RMB16,287,000. During the year ended 30 June 2023, the Group has recognised a reversal of provision for expected credit loss (“ECL”) on trade receivables of approximately RMB708,000.</p> <p>The ECL assessment on trade receivables is considered to be a matter that requires the application of significant judgement which involves the use of subjective assumptions by the Group’s management. The management of the Group believed that the methodologies and inputs used in estimating ECL are in accordance with the applicable accounting standards. These models and assumptions relate to the future macroeconomic conditions and debtors’ creditworthiness. The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increase in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.</p>	<p>Our key procedures to address the matter included:</p> <ul style="list-style-type: none">• Evaluating the methodologies, inputs and assumptions used by the Group in calculating the ECL, by reference to externally available economic data;• Obtaining an ageing analysis of the trade receivables from the management of the Group and testing the accuracy of ageing of trade receivables at the reporting date to the underlying invoices on a sample basis;• Challenging the management’s assessment of the recoverability of long outstanding and overdue trade receivables;• Selecting samples considering the management’s assessment of the latest financial conditions of the debtors, based on historical experience and observable external data; and• Assessing the adequacy of the ECL recorded by reviewing subsequent settlements after the year end and any correspondence with customers about expected settlement dates.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

RESPONSIBILITIES OF DIRECTORS 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 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.

The directors of the Company are assisted by those charged with governance in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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 group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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.

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.

Moore CPA Limited

Certified Public Accountants

Hung, Wan Fong Joanne

Practising Certificate Number: P05419

Hong Kong, 27 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	5	209,807	95,469
Costs of sales/services		(155,686)	(75,066)
Gross profit		54,121	20,403
Other income	6	1,383	757
Other losses	6	(2,799)	(702)
Reversal of provision/(provision) for allowance for expected credit loss on trade receivables	9	708	(1,051)
Share-based payment expenses	24	(4,058)	(4,417)
Selling and administrative expenses		(43,536)	(15,628)
Staff costs for administrative		(30,430)	(20,728)
Finance costs	7	(2,998)	(1,078)
Loss before income tax	9	(27,609)	(22,444)
Income tax expense	8	(901)	(1,833)
Loss for the year		(28,510)	(24,277)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		6,706	708
Other comprehensive income for the year, net of income tax		6,706	708
Total comprehensive loss for the year		(21,804)	(23,569)
Loss for the year attributable to:			
– Owners of the Company		(26,825)	(22,754)
– Non-controlling interest		(1,685)	(1,523)
		(28,510)	(24,277)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		(20,119)	(22,042)
– Non-controlling interest		(1,685)	(1,527)
		(21,804)	(23,569)
Loss per share attributable to the owners of the Company			
Basic and diluted (Expressed in RMB cents per share)	12	(3.05)	(2.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000	As at 30 June 2022 RMB'000 (Restated)	As at 1 July 2021 RMB'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	13	30,889	30,441	32,619
Goodwill	14	901	899	899
Deposits	16	51	418	1,245
		31,841	31,758	34,763
Current assets				
Inventories	15	89,697	39,577	7,406
Trade receivables	16	16,287	36,772	18,084
Other receivables, deposits and prepayments	16	22,086	19,782	12,377
Contract assets	17	3,149	407	155
Pledged bank deposits, bank balances and cash	18	46,097	41,707	53,670
		177,316	138,245	91,692
Current liabilities				
Trade and other payables	19	28,742	33,560	36,973
Contract liabilities	17	13,618	1,094	1,051
Lease liabilities	13	2,993	3,343	3,863
Borrowings	20	59,378	24,375	806
Income tax payable		929	1,873	1,171
		105,660	64,245	43,864
Net current assets		71,656	74,000	47,828
Total assets less current liabilities		103,497	105,758	82,591
Non-current liabilities				
Lease liabilities	13	4,677	6,295	7,197
Borrowings	20	21,309	4,345	5,130
Deferred tax liabilities	21	41	46	46
		26,027	10,686	12,373
Net assets		77,470	95,072	70,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000	As at 30 June 2022 RMB'000 (Restated)	As at 1 July 2021 RMB'000 (Restated)
EQUITY				
Share capital	22	7,665	7,455	6,787
Reserves	23	72,071	88,342	62,908
Equity attributable to the owners of the Company		79,736	95,797	69,695
Non-controlling interest		(2,266)	(725)	523
Total equity		77,470	95,072	70,218

The consolidated financial statements on pages 99 to 182 were approved and authorised for issue by the Board of Directors on 27 September 2023 and are signed on its behalf by:

Mr. Cao Chunmeng
Chairman and Executive Director

Ms. Choon Shew Lang
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Attributable to the owners of the Company									
	Share capital (Note 22) RMB'000	Share premium (Note 23(a)) RMB'000	Shares held	Merger reserve (Note 23(b)) RMB'000	Translation reserve (Note 23(c)) RMB'000	Share option	Retained profits/ (accumulated losses) RMB'000	Sub-total RMB'000	Non- controlling interest RMB'000	Total RMB'000
			under share			and share				
			award scheme (Note 23(e)) RMB'000			award reserves (Note 23(d)) RMB'000				
At 1 July 2021 (Restated)	6,787	43,222	-	2,572	(1,881)	-	18,995	69,695	523	70,218
Loss for the year	-	-	-	-	-	-	(22,754)	(22,754)	(1,523)	(24,277)
Other comprehensive loss for the year, net of income tax										
Exchange differences on translation of foreign operations	-	-	-	-	711	-	-	711	(3)	708
Other comprehensive loss for the year, net of income tax	-	-	-	-	711	-	-	711	(3)	708
Issuance of shares upon placing, net of transaction costs (Note 22(a))	668	43,060	-	-	-	-	-	43,728	-	43,728
Recognition of equity-settled share-based payments in relation to share options (Note 24(a))	-	-	-	-	-	4,417	-	4,417	-	4,417
Lapse of share options (Note 24(a))	-	-	-	-	-	(80)	80	-	-	-
Acquisition of non-controlling interest without change in control of a subsidiary (Note 27(c))	-	-	-	-	-	-	-	-	(523)	(523)
Non-controlling interest, arising from establishment of subsidiaries (Note 27(d))	-	-	-	-	-	-	-	-	801	801
At 30 June 2022 and 1 July 2022 (Restated)	7,455	86,282	-	2,572	(1,170)	4,337	(3,679)	95,797	(725)	95,072
Loss for the year	-	-	-	-	-	-	(26,825)	(26,825)	(1,685)	(28,510)
Other comprehensive income for the year, net of income tax										
Exchange differences on translation of foreign operations	-	-	-	-	6,706	-	-	6,706	-	6,706
Other comprehensive income for the year, net of income tax	-	-	-	-	6,706	-	-	6,706	-	6,706
Shares for share award scheme held in trust (Notes 22(b) and 24(b))	210	-	(210)	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments in relation to share options (Note 24(a))	-	-	-	-	-	3,038	-	3,038	-	3,038
Recognition of equity-settled share-based payments in relation to share award (Note 24(b))	-	-	-	-	-	1,020	-	1,020	-	1,020
Lapse of share options (Note 24(a))	-	-	-	-	-	(525)	525	-	-	-
Derecognition of a subsidiary (Note 27(f))	-	-	-	-	-	-	-	-	144	144
At 30 June 2023	7,665	86,282	(210)	2,572	5,536	7,870	(29,979)	79,736	(2,266)	77,470

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Cash flows from operating activities			
Loss before income tax		(27,609)	(22,444)
Adjustments for:			
Interest income	6	(116)	(57)
Foreign exchange loss, net	6	380	692
Loss on disposal of property, plant and equipment	6	–	7
Rent concession in relation to COVID-19	6	–	(163)
Gain on early termination and modification of leases		(890)	–
Finance costs	7	2,998	1,078
(Reversal of provision)/provision for allowance for expected credit loss on trade receivables	9	(708)	1,051
Write-off of trade receivables	6(b)	2,348	–
Depreciation of property, plant and equipment	9	4,742	4,033
Provision for slow-moving and obsolescence inventories	9	1,118	–
Share-based payment expenses in relation to share options	24(a)	3,038	–
Share-based payment expenses in relation to share award scheme	24(b)	1,020	4,417
Operating cash flows before movements in working capital		(13,679)	(11,386)
Movements in working capital:			
Decrease/(increase) in trade receivables		18,845	(19,739)
Increase in other receivables, deposits and prepayments		(1,937)	(6,579)
Increase in inventories		(51,239)	(32,172)
(Decrease)/increase in trade and other payables		(708)	21,153
Increase in contract assets		(2,742)	(252)
Increase in contract liabilities		12,524	43
Cash used in operations		(38,936)	(48,932)
Interest received		116	57
Income tax paid		(1,851)	(1,131)
Net cash used in operating activities		(40,671)	(50,006)
Cash flows from investing activities			
Purchase of property, plant and equipment		(735)	(123)
Decrease in pledged bank deposits		997	–
Proceed from disposal of property, plant and equipment		–	4
Net cash generated from/(used in) investing activities		262	(119)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Cash flows from financing activities			
Net proceeds from issuance of shares upon placing		–	43,728
Proceeds from bank and other borrowings	29	78,867	24,568
Repayment of bank and other borrowings	29	(27,441)	(1,784)
Interest paid on bank and other borrowings	29	(2,543)	(116)
Repayment of leases liabilities – principal	29	(2,738)	(2,993)
Repayment of leases liabilities – interest	29	(455)	(480)
Repayment to third parties	29	(4,115)	(23,543)
Repayment to a director of the Company	29	(299)	(1,701)
Payments for acquisition of additional interest in subsidiaries		–	(523)
Capital contribution from non-controlling interests	27(d)	–	801
Net cash generated from financing activities		41,276	37,957
Net increase/(decrease) in cash and cash equivalents			
		867	(12,168)
Cash and cash equivalents at beginning of the year		40,710	52,674
Effect of foreign exchange rate changes on the balance of cash held in foreign currency		4,520	204
Cash and cash equivalents at end of the year			
– Bank balances and cash	18	46,097	40,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL

ISP Global Limited (the “**Company**”) was incorporated and registered as an exempted Company in the Cayman Islands with limited liability on 21 July 2017 and its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”) on 8 September 2017. The head office and principal place of business of the Group is at Room 4302, 43rd Floor, Center Plaza, 18 Harbour Road, Wan Chai, Hong Kong. The principal place of business in Singapore is at No.3 Ang Mo Kio Street 62, #01-39, LINK@AMK, Singapore 569139. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 16 January 2018.

The Company is an investment holding company and the principal activities of its operating subsidiaries are sale of networking, sound and communication systems, provision of integrated services of networking, sound and communication systems in Singapore and the People’s Republic of China (the “**PRC**”) and e-commerce operation in the PRC. The details of the subsidiaries are set out in Note 27.

Prior to 1 July 2022, Singapore dollars (“**S\$**”) was regarded as the presentation currencies of the Group. During the year, the directors of the Company announced that the presentation currency used in the consolidated financial statements of the Group will be changed to Renminbi (“**RMB**”) from S\$ (the “**Change of Presentation Currency**”) effective from 1 July 2022 and the annual results for the year ended 30 June 2023.

Having considered that most of the Group’s business and assets/(liabilities) are located in the PRC and its transactions are mainly denominated and settled in RMB, the Change of Presentation Currency will enable the shareholders and potential investors of the Company to have a more accurate picture of the Group’s financial performance. The directors of the Company consider that it is more appropriate to use RMB as the presentation currency for the Group’s consolidated financial statements.

The Group’s consolidated financial statements for the year ended 30 June 2023 are the first set of consolidated financial statements presented in RMB. The Change of Presentation Currency has been applied retrospectively. The comparative figures have been restated in RMB in such consolidated financial statements of the Group. In addition, certain comparative figures have been reclassified to conform to current year’s presentation. In the opinion of the directors of the Company, the Change of Presentation Currency and the restatement of the comparative figures from S\$ to RMB are not expected to have material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the preparation of the consolidated financial statements for the year ended 30 June 2023, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS	Annual Improvements to IFRSs 2018-2020

The adoption of the above amendments to IFRSs has had no material impact on the Group’s financial performance and position for the current and prior periods and/or the disclosures set out in these consolidated financial statements.

Save for the above, the application of other amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not adopted the early application of the following new and amendments to IFRSs that have been issued but are not yet effective:

		Effective for annual reporting period beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Interpretation 5 (2021)	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management anticipates that the adoption of the above new and amendments to IFRSs in future periods will not have a material impact on the consolidated financial statements of the Group in the period of their initial adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB.

In addition, the consolidated financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing Securities on GEM of the Stock Exchange and the applicable disclosures required by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in consolidated profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to consolidated profit or loss or retained earnings/(accumulated losses), as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over-time and revenue is recognised over-time by reference to the progress towards complete satisfaction of relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognises revenue from the following revenue streams:

(i) Sale of networking, sound and communication systems and consumer products

Revenue from sales of goods are recognised at point in time when control of the goods has been transferred to the customers. Control is primarily evidenced by taking physical possession and inventory risk of the goods. The Group controls the good before the good is transferred to a customer.

(ii) Provision of integrated services of sound and communication systems

Revenue from provision of integrated services of sound and communication systems is recognised over-time during the course of construction by reference to the progress towards complete satisfaction of a performance obligation at the end of the reporting period. Progress towards complete satisfaction is measured based on output method, which recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date (i.e. surveys of work performed to date with reference to customers’ confirmation, i.e. customer certificate) relative to the estimated total contract revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(ii) Provision of integrated services of sound and communication systems (continued)

The stage of completion is measured by the proportion of surveys of work performed to date with reference to customer certificate relative to the estimated total contract revenue.

Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probably recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material, labour, depreciation and hire of equipment, interest expense, subcontract cost and estimated costs of rectification and guarantee work, including expected warranty costs.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

There is no significant financing component as the Group expects that the period between the recognition of revenue under the output method and the payment will be one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(iii) Provision of technical support services in relation to networking systems

Revenue is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the consolidated profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to consolidated profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in consolidated profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

The Group companies operating in Singapore made payments to the defined contribution plan, Singapore's Central Provident Fund ("**CPF**") are recognised as expense when employees have rendered service entitling them to the contributions.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the consolidated profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

Short-term and long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interest and remeasurements are recognised in consolidated profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 24(a).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to consolidated profit or loss.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Share award scheme granted to employees

The Group operates a share award scheme for the purposes of providing the selected participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Group and provide additional incentive for them to achieve performance goals with a view to achieve the objectives of increasing the value of the Group and aligning the interests of the selected participants directly to the shareholders of the Company through ownership of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

Share award scheme granted to employees (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Shares held under share award scheme

The shares held under share award scheme are issued by the Company. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from total equity.

The shares held under share award scheme are the aggregate price paid for the allotment and issuance of shares of the Company. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from total equity. The Company's awarded shares were held by the trustee in trust for the selected participants until such shares are exercised under the share award scheme.

Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of property, plant 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. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the consolidated financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated profit or loss.

An item of property, 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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated profit or loss.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of property which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire property is classified as property, plant and equipment.

At the end of the reporting period, the Group’s leasehold land and property remains as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit ("CGU")'s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated profit or loss in the year in which it arises.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except short-term lease and leases of low-value assets. The Group recognises leases liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

Right-of-use assets (included in property, plant and equipment)

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in the section "Impairment of non-financial assets".

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

Lease liabilities (continued)

Short-term leases and leases of low-value asset

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Financial instruments

Financial assets and liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“**FVTPL**”), except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 (Revised) Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit loss (“**ECL**”) on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, deposits, contract assets, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, and contract assets, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has applied loss rates which are reference to the default rates from international credit rating agencies, adjusted for forward-looking factors specific to the debtors and the economic environment.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) 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 as at the reporting date with the risk of a default occurring on the financial instrument as 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) 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 receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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).

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.

(iii) Credit-impaired financial assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables, lease liabilities and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group companies after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Foreign currency transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in RMB, while the functional currency of the Company is Hong Kong Dollars (“HK\$”). As the Group mainly operates in the PRC, RMB is used as the presentation currency for the consolidated financial statements.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

(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 the Company's parent.

or

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

- (i) the entity and the Group are members of the same group;
- (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) the entity and the Group 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;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (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 the Company's parent.

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) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group's management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Contracts for provision of integrated services of sound and communication systems

Revenues from integrated services of sound and communication systems are recognised over-time which considered the work performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Such contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets at the customers' sites, where the customer is able to specify the major structural elements of the design and directing the assets to be installed or constructed. Where the outcome of a contract work can be estimated reliably, revenue and costs are recognised by reference to the progress towards complete satisfaction of performance obligation at the end of the reporting period.

Progress towards complete satisfaction is measured based on the output method which recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date (i.e. surveys of work performed to date with reference to customers' confirmation, i.e. customer certificate) relative to the estimated total contract revenue.

Management reviews onerous contracts whenever there is an indication that the estimated contract revenue is lower than the estimated total contract cost. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date and the adjustment would be recognised in the period of changes in estimates.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 17 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition for sale of consumer products

Revenue from the sale of goods is recognised when control of goods is transferred to customers. In addition, the Group assesses whether or not the Group is acting as a principal or an agent on these type of activities, the Group made assessment based on indicators of (a) who is primarily responsible for providing the goods or services; (b) who has inventory risk; and (c) who has latitude to establish prices. Based on a comprehensive assessment of all the facts and circumstances, judgement is made on an individual contract basis to determine whether revenue can be recognised during the year and whether revenue should be recognised on a gross or net basis.

Estimated impairment of trade and other receivables

The Group recognises lifetime ECL for trade and other receivables. When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and other receivables which are credit impaired are assessed for ECL individually.

The information about the ECL and the Group's trade and other receivables are disclosed in Notes 16 and 32(c).

Estimation of incremental borrowing rate ("IBR") on lease liabilities

The Group cannot readily determine the interest rate implicit in the leases, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available especially the Group does not enter into financing transactions. The Group estimates the IBR using observable inputs (such as similar debt financing instrument) when available and is required to make certain entity-specific estimates (such as the relevant subsidiary's stand-alone credit rating). Using inaccurate rate may induce understatement of lease liabilities when a higher IBR was used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 30 June 2023, the carrying amount of goodwill is approximately RMB901,000 (2022: RMB899,000) with no impairment loss identified necessary. Details of the recoverable amount calculation are disclosed in Note 14.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration to which the Group expects to be entitled to from (1) sale of networking, sound and communication systems; (2) provision of integrated services of networking, sound and communication systems, includes installation and customisation of networking, sound and communication systems and technical support services; and (3) e-commerce operation. The Group's operations are mainly derived from Singapore and the PRC.

Information is reported to the executive directors of the Company, being the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group's accounting policies described in Note 3 to the consolidated financial statements. The CODM reviews revenue by nature of revenue, i.e. (1) sale of networking, sound and communication systems; (2) provision of integrated services of networking, sound and communication systems, includes installation and customisation of networking, sound and communication systems and technical support services; and (3) e-commerce operation. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has two operating segments:

- a) Sale and provision of integrated services of networking, sound and communication systems, which includes points (1) and (2) as mentioned above; and
- b) E-commerce operation, which mainly includes sale of consumer products on e-commerce platforms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment profit/(loss) represents the profit earned/(loss incurred) by each segment without allocation of certain administration costs, directors' emoluments, other income, other losses, share-based payment expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue and results

For the year ended 30 June 2023

	Sale and provision of integrated services of networking, sound and communication systems in Singapore RMB'000	Sale and provision of integrated services of networking, sound and communication systems in the PRC RMB'000	E-commerce operation RMB'000	Total RMB'000
Gross segment revenue	39,840	40,613	129,354	209,807
Inter-segment revenue	–	–	–	–
Revenue	39,840	40,613	129,354	209,807
Timing of revenue recognition				
At a point in time	31,555	32,358	129,354	193,267
Over-time	8,285	8,255	–	16,540
	39,840	40,613	129,354	209,807
Segment results	2,430	2,989	(11,895)	(6,476)
Other income				1,383
Other losses				(2,799)
Unallocated depreciation				(933)
Share-based payment expenses				(4,058)
Unallocated expenses				(11,728)
Finance costs				(2,998)
Income tax expense				(901)
Loss for the year				(28,510)
Segment results include:				
Reversal of provision for allowance for ECL on trade receivables	97	588	23	708
Write-off of trade receivables	(2,348)	–	–	(2,348)
Provision for slow-moving and obsolescence inventories	–	–	(1,118)	(1,118)
Depreciation	(696)	(62)	(3,051)	(3,809)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 30 June 2022

	Sale and provision of integrated services of networking, sound and communication systems in Singapore RMB'000 (Restated)	Sale and provision of integrated services of networking, sound and communication systems in the PRC RMB'000 (Restated)	E-commerce operation RMB'000 (Restated)	Total RMB'000 (Restated)
Gross segment revenue	42,329	41,771	11,369	95,469
Inter-segment revenue	–	–	–	–
Revenue	42,329	41,771	11,369	95,469
Timing of revenue recognition				
At a point in time	41,380	35,481	11,369	88,230
Over-time	949	6,290	–	7,239
	42,329	41,771	11,369	95,469
Segment results	4,443	2,438	(16,070)	(9,189)
Other income				757
Other losses				(702)
Unallocated depreciation				(1,314)
Share-based payment expenses				(4,417)
Unallocated expenses				(6,501)
Finance costs				(1,078)
Income tax expense				(1,833)
Loss for the year				(24,277)
Segment results include:				
Provision for allowance for ECL on trade receivables	14	(699)	(366)	(1,051)
Depreciation	(616)	(29)	(2,074)	(2,719)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

An analysis of the Group's revenue for the year is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
At a point in time:		
Sale of networking, sound and communication systems	63,912	76,861
Sale of consumer products	129,354	11,369
Over-time:		
Integrated services of networking, sound and communication systems	16,541	7,239
	209,807	95,469

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Customer I [#]	N/A [*]	23,309
Customer II [^]	84,263	N/A [*]

[#] Revenue from sale and provision of integrated services of networking, sound and communication systems

[^] Revenue from E-commerce operation

^{*} The customers contributed less than 10% of the total revenue for the respective years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

	2023 RMB'000	2022 RMB'000 (Restated)
Segment assets		
Sale and provision of integrated services of networking, sound and communication systems in Singapore	80,115	50,891
Sale and provision of integrated services of networking, sound and communication systems in the PRC	16,125	29,996
E-commerce operation	110,960	86,652
Total segment assets	207,200	167,539
Unallocated corporate assets		
– Property, plant and equipment	–	897
– Deposits and other receivables	696	–
– Bank balance and cash	1,261	1,567
Total assets	209,157	170,003
Segment liabilities		
Sale and provision of integrated services of networking, sound and communication systems in Singapore	(13,680)	(11,583)
Sale and provision of integrated services of networking, sound and communication systems in the PRC	(19,922)	(4,088)
E-commerce operation	(96,939)	(57,667)
Total segment liabilities	(130,541)	(73,338)
Unallocated corporate liabilities		
– Other payables	(1,146)	(835)
– Lease liabilities	–	(758)
Total liabilities	(131,687)	(74,931)

These assets and liabilities are allocated based on the operations of the segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

Information by geographical location on the Group's revenue from customers and non-current assets are detailed below:

	2023 RMB'000	2022 RMB'000 (Restated)
a) Revenue from external customers		
Singapore	39,603	43,237
The PRC	169,967	52,228
Malaysia	237	4
	209,807	95,469
b) Non-current assets		
Singapore	23,270	20,835
The PRC	8,328	10,026
Others	243	897
	31,841	31,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. OTHER INCOME AND OTHER LOSSES

	2023 RMB'000	2022 RMB'000 (Restated)
Government grants (Note (a))	59	470
Interest income	116	57
Rent concession in relation to COVID-19	–	163
Gains on early termination and modification of leases	890	–
Others	318	67
	1,383	757
Foreign exchange loss, net	(380)	(692)
Loss on disposal of property, plant and equipment	–	(7)
Write-off trade of receivables (Note (b))	(2,348)	–
Others	(71)	(3)
	(2,799)	(702)

Notes:

- (a) During the year ended 30 June 2023, the amount mainly included (i) an amount of approximately RMB55,000 (2022: RMB337,000), representing the foreign worker levy rebate from the Singapore government, for which has granted a flat rate of S\$750 (equivalent to approximately RMB4,000) for each S Pass or work permit holder in employment; and (ii) Nil (2022: RMB82,000) in relation to Jobs Support Scheme (“JSS”). The JSS is a temporary scheme introduced in the Singapore Budget 2020 and 2022 to help enterprises retain local employees. Under the JSS, employers receive cash grants in relation to the gross monthly wages of eligible employees.

All incentives were granted in the form of cash payout and there were no unfulfilled conditions or contingencies relating to these grants, and recognised as other income upon incentive amounts confirmed by the Singapore and the PRC governments and cash received.

- (b) During the year ended 30 June 2023, the amount represented the receivables due from a customer of the Group which was under creditors' voluntary liquidation as at 28 February 2023 and as at the date when the consolidated financial statements were authorised for issue. As at 30 June 2023, the amount was not determined to be collectible and was written-off (Note 16(a)).

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000 (Restated)
Interest on lease liabilities (Note 13)	455	480
Interest on bank and other borrowings	2,543	116
Interest on amount due to a third party (Note 19(b))	–	482
	2,998	1,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

8. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000 (Restated)
Current tax:		
– Singapore corporate income tax (“CIT”)	911	1,772
– The PRC enterprise income tax (“EIT”)	–	8
– Under-provision in prior years	–	53
	911	1,833
Deferred tax (Note 21)	(10)	–*
	901	1,833

* less than RMB1,000

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax under these jurisdictions during the year ended 30 June 2023 (2022: Nil).

No provision for Hong Kong Profits Tax has been recognised in the consolidated financial statements during the year ended 30 June 2023 as the Group does not have income which arises in or derived from Hong Kong (2022: Nil).

Singapore CIT is calculated at 17% (2022: 17%) of the estimated assessable profit. Singapore incorporated companies can enjoy 75% tax exemption on the first S\$10,000 (equivalent to approximately RMB53,000) of normal chargeable income and a further 50% tax exemption on the next S\$190,000 (equivalent to approximately RMB1,015,000) of normal chargeable income for the years of assessment 2023 (2022: Same).

The PRC EIT has been provided at the rate of 25% (2022: 25%) on the taxable profits of the Group’s subsidiaries in the PRC during the year ended 30 June 2023. Certain subsidiaries of the Group, which are qualified small and micro-sized enterprises under Caishui [2019] No.13, are eligible for certain tax reduction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

8. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Loss before income tax	(27,609)	(22,444)
Tax at domestic income tax rate	(5,763)	(4,866)
Tax effect of income not taxable for tax purpose	1	(6)
Tax effect of expenses not deductible for tax purpose	482	2,823
Tax effect of tax losses not recognised	6,364	3,912
Effect of tax concessions and partial tax exemptions	(132)	(83)
Tax effect of utilisation of tax losses not previously recognised	(51)	–
Under-provision in prior years	–	53
	901	1,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging/(crediting):

	2023 RMB'000	2022 RMB'000 (Restated)
Auditor's remuneration	823	703
Expense relating to short-term leases (Note 13)	164	624
Depreciation of property, plant and equipment (Note (a))	4,742	4,033
Directors' remuneration, including share-based payment expenses of approximately RMB934,000 (2022: RMB1,294,000) (Note 10)	10,950	9,352
Other staff costs:		
– Salaries, wages and other benefits including share-based payment expenses of approximately RMB3,124,000 (2022: RMB2,924,000)	35,261	25,962
– Defined contribution plans, including retirement benefits	2,914	2,099
– Foreign worker levy and skill development levy	1,023	986
Total staff costs (Note (b))	50,148	38,399
Cost of materials recognised as costs of sales/services	139,069	58,956
Share-based payment expenses for external consultants	–	199
(Reversal of provision)/provision for allowance for expected credit loss on trade receivables	(708)	1,051
Provision for slow-moving and obsolescence inventories (Note (c))	1,118	–
Marketing and promotion expenses (Note (d))	15,536	1,074
Service fees to e-commerce platforms (Note (d))	4,306	642
Subcontractor costs recognised as costs of sales/services	6,537	8,729

Notes:

- (a) No depreciation was included in costs of sales/services (2022: Nil).
- (b) Staff costs of approximately RMB8,298,000 (2022: RMB7,348,000) were included in costs of sales/services.
- (c) Provision for slow-moving and obsolescence inventories were included in costs of sales/services (2022: Nil).
- (d) These expenses were included in selling and administrative expenses (2022: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group are as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Share based payments RMB'000	Total RMB'000
Year ended 30 June 2023					
Executive directors					
Mr. Cao Chunmeng ("Mr. Cao") (i)	1,757	–	16	–	1,773
Mr. Mong Kean Yeow (ii)	796	2,292	62	–	3,150
Ms. Choon Shew Lang (iii)	735	1,863	62	–	2,660
Mr. Yuan Shuangshun	888	–	82	425	1,395
Mr. Han Bing (vi)	1,065	–	44	425	1,534
Non-executive director					
Mr. Qiu Yingming (vii)	36	–	–	–	36
Independent non-executive directors					
Mr. Tang Chi Wai	106	–	–	42	148
Mr. Zheng Xiaorong (iv)	106	–	–	–	106
Mr. Yan Xiaotian	106	–	–	42	148
	5,595	4,155	266	934	10,950
Year ended 30 June 2022 (restated)					
Executive directors					
Mr. Cao (i)	763	131	14	563	1,471
Mr. Mong Kean Yeow (ii)	740	1,827	82	–	2,649
Ms. Choon Shew Lang (iii)	683	1,452	82	–	2,217
Mr. Yuan Shuangshun	–	827	90	563	1,480
Mr. Han Bing (vi)	374	619	68	–	1,061
Independent non-executive directors					
Mr. Tang Chi Wai	102	–	–	56	158
Dr. Cai Rongxin (v)	102	–	–	56	158
Mr. Yan Xiaotian	102	–	–	56	158
	2,866	4,856	336	1,294	9,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

Notes:

- (i) Mr. Cao was appointed as non-executive director on 22 January 2021, and re-designated as executive director with effect from 1 January 2022. He acts as chairman of the Company with effect from 4 March 2022.
- (ii) Mr. Mong Kean Yeow acted as chairman of the Company up to 4 March 2022.
- (iii) Ms. Choon Shew Long acts as chief executive of the Company.
- (iv) Mr. Zheng Xiaorong was appointed as independent non-executive director with effect from 1 July 2022.
- (v) Dr. Cai Rongxin resigned as an independent non-executive director with effect from 1 July 2022.
- (vi) Mr. Han Bing was appointed as executive director on 1 September 2022.
- (vii) Mr. Qiu Yingming was appointed as non-executive director on 1 March 2023.

The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.

The independent non-executive directors' emoluments shown above were for their service as directors of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 30 June 2023 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2022: five) were directors of the Company during the year ended 30 June 2023 whose emoluments are included in the disclosures above. Details of the remuneration of the remaining one highest paid employee (2022: Nil) who is neither a director nor chief executive of the Company during the year ended 30 June 2023 are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries and allowances	2,052	–
Contributions to retirement benefit plan	61	–
	2,113	–

The number of the five highest paid individuals, excluding the directors of the Company, whose emoluments were within the following bands presented in HK\$:

	Number of employee	
	2023	2022
Emolument bands		
HK\$2,000,001 to HK\$2,500,000	1	–

During the year ended 30 June 2023, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Same).

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

12. LOSSES PER SHARE

	2023	2022
	RMB'000	RMB'000 (Restated)
Loss for the year attributable to the owners of the Company	(26,825)	(22,754)

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company and the weighted average number of shares in issue. Weighted average number of ordinary shares for the purpose of basic loss per share is set out below:

	2023	2022
Number of ordinary share	880,000,000	875,835,617

The computation of diluted loss per share for the year ended 30 June 2023 did not assume the exercise of the Company's outstanding share options since it would result in a decrease in the loss per share (2022: Same). The computation of diluted loss per share during the year ended 30 June 2023 also did not assume the exercise of the share award because the issuance of shares in relation to the share award scheme has antidilutive effect to the basic loss per share. The resulting number of shares issued and held by the trustee during the year is not included in the weighted average number of ordinary shares as the denominator for calculating basic loss per share for the year ended 30 June 2023. Therefore, the amount of diluted loss per share is the same as the amount of basic loss per share during the years ended 30 June 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES

Property, plant and equipment

	Computers RMB'000	Office equipment RMB'000	Furniture, fixtures and fittings RMB'000	Motor vehicles RMB'000	Leasehold land and property RMB'000	Alert alarm systems RMB'000	Right- of-use assets RMB'000	Total RMB'000
Cost								
At 1 July 2021 (Restated)	526	321	808	838	23,715	13,217	12,046	51,471
Disposal	(24)	(35)	-	-	-	-	-	(59)
Written off	-	-	-	-	-	(13,217)	-	(13,217)
Additions	121	-	2	-	-	-	1,697	1,820
Exchange realignment	2	-	2	2	64	-	13	83
At 30 June 2022 and 1 July 2022								
(Restated)	625	286	812	840	23,779	-	13,756	40,098
Disposal	(12)	-	-	-	-	-	(3,423)	(3,435)
Written off	-	-	-	-	-	-	(9,610)	(9,610)
Additions	125	24	99	487	-	-	8,058	8,793
Exchange realignment	46	29	39	102	2,703	-	229	3,148
At 30 June 2023	784	339	950	1,429	26,482	-	9,010	38,994
Accumulated Depreciation								
At 1 July 2021 (Restated)	447	298	803	500	2,790	13,217	769	18,824
Depreciation for the year	131	4	5	114	366	-	3,413	4,033
Disposal	(24)	(23)	-	-	-	-	-	(47)
Written off	-	-	-	-	-	(13,217)	-	(13,217)
Exchange realignment	2	3	3	2	61	-	(7)	64
At 30 June 2022 and 1 July 2022								
(Restated)	556	282	811	616	3,217	-	4,175	9,657
Depreciation for the year	116	9	5	169	447	-	3,996	4,742
Disposal	(8)	-	-	-	-	-	(3,423)	(3,431)
Written off	-	-	-	-	-	-	(3,699)	(3,699)
Exchange realignment	44	27	95	78	386	-	206	836
At 30 June 2023	708	318	911	863	4,050	-	1,255	8,105
Carrying amount								
At 30 June 2023	76	21	39	566	22,432	-	7,755	30,889
At 30 June 2022 (Restated)	69	4	1	224	20,562	-	9,581	30,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (continued)

Property, plant and equipment (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives after taking into account the residual values:

Computers	- 1 year
Office equipment	- 3 years
Furniture, fixtures and fittings	- 3 years
Motor vehicles	- 6 years
Leasehold land and property	- Over the lease term, which is 680 months
Alert alarm systems	- Over the service contract term, which ranges from 72 to 94 months
Right-of-use assets	- Over the lease terms, which ranges from 24 to 48 months

As at 30 June 2023, leasehold land and property were pledged to a bank for a bank borrowing (Note 20) (2022: Same).

The Group as a lessee

The Group has entered into lease contracts for various office premises used in its operations. Leases of office premises generally have lease terms between 2 and 4 years (2022: 2 and 5 years). The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include termination options which the directors of the Company considered reasonably certain not to exercise.

During the year ended 30 June 2023, the Group has entered into several lease agreements for office premises with amounts of approximately RMB8,058,000 (2022: RMB1,697,000) and the same amounts of lease liabilities were recognised.

The Group has also entered into certain leases of office premises with lease terms of 12 months or less and leases of office equipment and dormitories with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (continued)

The Group as a lessee (continued)

The carrying amount and the movements of lease liabilities during the year are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Carrying amount at 1 July	9,638	11,060
New leases	8,058	1,697
Write-off of leases liabilities	(6,462)	–
Accretion of interest recognised during the year	455	480
Covid-19-related rent concessions	–	(163)
Payments	(3,193)	(3,473)
Exchange realignment	(826)	37
Carrying amount at 30 June	7,670	9,638
Lease liabilities payable:		
– Within one year	3,332	3,752
– Within a period of more than one year but not exceeding two years	2,405	5,272
– Within a period of more than two years but not exceeding five years	2,559	1,727
	8,296	10,751
Less: Future finance charges	(626)	(1,113)
	7,670	9,638
Less: Amounts due for settlement within twelve months from the end of the reporting period (shown under current liabilities)	(2,993)	(3,343)
Amounts due for settlement after twelve months from the end of the reporting period (shown under non-current liabilities)	4,677	6,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

13. PROPERTY, PLANT AND EQUIPMENT AND LEASE LIABILITIES (continued)

The Group as a lessee (continued)

The followings are the amounts recognised in the consolidated profit or loss:

	2023 RMB'000	2022 RMB'000 (Restated)
Depreciation of right-of-use assets (as per above)	3,996	3,370
Interest on lease liabilities (Note 7)	455	480
Expense relating to short-term leases (Note 9)	164	624
	4,615	4,474
Within financing cash flow – fixed payments	3,193	3,473
Within operating cash flow – expenses relating to short-term lease	164	624
Total cash outflow for leases	3,357	4,097

14. GOODWILL

	RMB'000
At 1 July 2021 (Restated)	899
Exchange realignment	–*
At 30 June 2022 and 1 July 2022 (Restated)	899
Exchange realignment	2
At 30 June 2023	901

* Amount less than RMB1,000

Goodwill arose from the acquisition of subsidiaries in prior years which had been allocated to e-commerce operation business. The goodwill recognised is not expected to be deductible for the income tax purpose.

E-commerce operation CGU

The recoverable amount of the e-commerce operation CGU as at 30 June 2023 has been determined based on a value-in-use calculation (2022: value-in-use calculation) using cash flow forecast derived from the most recent financial budgets approved by senior management based on their best estimates covering 5-year projected period. The pre-tax discount rate and terminal growth rate adopted in the forecast were 16.35% (2022: 15.68%) and 2.0% (2022: 3.0%), respectively. Management has calculated that the value-in-use of the operating subsidiaries located in the PRC and concluded that the recoverable amount is greater than their total carrying amount of the assets of the e-commerce operation CGU including allocated goodwill. As a result of this analysis, the management does not believe an impairment charge of in the current year is required (2022: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

15. INVENTORIES

	2023 RMB'000	2022 RMB'000 (Restated)
Finished goods	89,697	39,577

During the year, provision for slow-moving and obsolescence inventories of approximately RMB1,118,000 (2022: Nil) were made based on prevailing market conditions.

16. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000 (Restated)
Trade receivables, gross	16,773	37,954
Less: Allowance for ECL	(486)	(1,182)
Trade receivables, net (Note (a))	16,287	36,772
Deposits (Note (b))	3,433	3,167
Prepayments (Note (c))	7,542	11,655
Other receivables (Note (d))	10,386	5,119
Advances to staff	776	259
	22,137	20,200
Less: amount classified as non-current – rental deposits on lease agreement expiring after one year (Note (b))	(51)	(418)
Current portion	22,086	19,782

Notes:

- (a) During the year ended 30 June 2023, the Group granted credit terms to its customers in the segment of sale and provision of integrated services of networking, sound and communication systems typically between 30 to 180 days (2022: 30 to 180 days). For the e-commerce operation, no credit term (2022: Nil) is granted to individual customers and relevant trading or settlement platform for online sale, while the Group generally grants credit terms ranging from 15 to 180 days (2022: 15 to 180 days) to those corporate customers with good credit records. The Group does not charge interest nor hold any collateral over these balances.

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB5,551,000 (2022: RMB8,847,000) which are past due as at the reporting date. Out of the past due balances, approximately RMB1,366,000 (2022: RMB450,000) has been past due 90 days or more and is not considered as in default due to having on-going relationship and no default repayment record from these customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

16. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes: (continued)

(a) (continued)

The ECL on trade receivables is measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Trade receivables would be written off when there is information indicating that the debtors are in severe financial difficulty and there is no realistic prospect of recovery. During the year ended 30 June 2023, trade receivables of approximately RMB2,348,000 (2022: Nil) were written-off (Note 6(b)).

An ageing analysis of the Group's trade receivables at the end of the reporting period, net of impairment, based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
0-30 days	13,102	23,845
31-90 days	2,005	6,391
91-120 days	1,234	852
121-365 days	218	2,662
Over 365 days	214	4,204
Less: Allowance for ECL	(486)	(1,182)
	16,287	36,772

The following table details the risk profile of trade receivables with customers based on the Group's provision matrix which is derived from the ageing based on past due days.

	Not yet past due RMB'000	Less than 30 days RMB'000	31-90 days RMB'000	91-180 days RMB'000	181-365 days RMB'000	Over 365 days RMB'000	Total RMB'000
30 June 2023							
Effective ECL rate	1%	0%	3%	4%	15%	100%	
Trade receivables, gross	10,865	2,237	2,005	1,234	218	214	16,773
Lifetime ECL	(129)	(3)	(54)	(52)	(34)	(214)	(486)
							16,287
30 June 2022 (Restated)							
Effective ECL rate	2%	2%	3%	21%	49%	100%	
Trade receivables, gross	28,399	2,529	6,110	351	333	232	37,954
Lifetime ECL	(474)	(54)	(188)	(72)	(162)	(232)	(1,182)
							36,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

16. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes: (continued)

(a) (continued)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

	2023 RMB'000	2022 RMB'000 (Restated)
At beginning of year	1,182	157
(Reversal of provision)/provision for allowance for ECL on trade receivables	(708)	1,051
Exchange realignment	12	(26)
At end of year	486	1,182

- (b) As at 30 June 2023, the balances mainly included deposits paid for lease agreements in the PRC and Hong Kong and deposits paid to online platform providers to become merchants of e-shop or e-channel (2022: Same).
- (c) As at 30 June 2023, prepayments mainly represented payment in advances to the e-commerce suppliers which amounted to approximately RMB4,301,000 (2022: RMB8,937,000). Up to the date of this report, prepayments amounted to approximately RMB4,223,000 (2022: RMB6,211,000) have been utilised by subsequent purchases made by the Group.
- (d) As at 30 June 2023, the balance mainly included value-added-tax ("VAT") recoverable amounted to approximately RMB7,405,000 (2022: RMB4,456,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

17. CONTRACT ASSET AND CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000 (Restated)
Contract assets		
Retention receivables	3,149	407
Contract liabilities		
Advance billing to customers	13,618	1,094

Contract assets

Contract assets include retention receivables which represent monies withheld by customers of contract works that will be released after the end of warranty period of the relevant contracts, and are classified as current as they are expected to be received within the Group's normal operating cycle. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

Contract liabilities

Contract liabilities are arising from sale and provision of integrated services of networking, sound and communication systems business. The Group typically receives a deposit from customers when they sign the contracts with the Group. In the opinion of the directors of the Company, contract liabilities are expected to be recognised as revenue within one year.

Movement of contract liabilities is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
At beginning of year	1,094	1,051
Decrease in contract liabilities as a result of being recognised as revenue during the year that was included in the contract liabilities at the beginning of the year	(1,094)	(1,051)
Decrease in contract liabilities as a result of being recognised as revenue during the year	(17,207)	(9,935)
Increase in contract liabilities as a result of receipt of customer deposits during the year	30,825	11,026
Exchange realignment	-	3
At end of year	13,618	1,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

18. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

	2023 RMB'000	2022 RMB'000 (Restated)
Bank balances and cash (Note (a))	46,097	40,710
Pledged bank deposits (Note (b))	–	997
	46,097	41,707

Notes:

- (a) Bank balances carry interest at floating rates based on daily bank deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default. As at 30 June 2023, there was approximately RMB3,413,000 (2022: RMB3,156,000) denominated in RMB and deposited with banks in the PRC. RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations in the PRC, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.
- (b) As at 30 June 2022, the balances represented deposits placed to a bank in Singapore for corresponding amounts of performance guarantee granted to the Group in favour of a customer with a maturity term of 36 months ended in April 2023. The balances carried interest rate at 0.65% per annum at 30 June 2022 and the balance was fully released during the year.

19. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade payables (Note (a))	19,644	24,620
Retention payables	–	128
Other taxes payable	1,849	490
Accrued operating expenses	3,210	2,193
Accrued payroll costs	2,187	1,715
Other payables	1,852	–
Amounts due to a third party (Note (b))	–	4,115
Amount due to a director of the Company (Note (c))	–	299
	28,742	33,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

19. TRADE AND OTHER PAYABLES (continued)

Notes:

- (a) The credit period on purchases from suppliers and subcontractors is between 30 to 60 days (2022: 30 to 60 days) or payable upon delivery (2022: Same). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting date:

	2023 RMB'000	2022 RMB'000 (Restated)
Within 30 days	5,294	21,980
31 to 90 days	7,536	58
91 to 180 days	5,120	900
Over 180 days	1,694	1,682
	19,644	24,620

- (b) As at 30 June 2022, the balance represented short-term advances from an independent third party for the purpose of financing the initial working capital of e-commerce operation before the Group reallocated foreign financial resource into the PRC. The advances were unsecured, interest bearing at 6.0% per annum and repayable within one year from the drawdown dates. During the year, the amounts were fully repaid.
- (c) As at 30 June 2022, the amount due to a director of the Company, Mr. Cao, which was non-trade in nature, unsecured, non-interest bearing and repayable on demand. During the year, the amount was fully repaid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

20. BORROWINGS

	2023 RMB'000	2022 RMB'000 (Restated)
Bank borrowings – Secured (Note (a))	23,184	17,144
Bank borrowings – Unsecured (Note (b))	7,600	1,000
Other borrowings (Note (c))	49,903	10,576
	80,687	28,720
Carrying amount repayable within 1 year	59,378	24,375
Carrying amount repayable over 1 year but within 2 years	6,604	819
Carrying amount repayable over 2 years but within 5 years	14,705	2,558
Carrying amount repayable over 5 years	–	968
	80,687	28,720
Less: Amount due within 1 year (shown under current liabilities)	(59,378)	(24,375)
Amount shown under non-current liabilities	21,309	4,345

Notes:

(a) As at 30 June 2023, the balances include:

Two secured bank borrowings with carrying amounts of RMB12,000,000 (2022: RMB12,000,000) in aggregate which was interest bearing at 3.85% (2022: 4.00%) per annum and repayable in May 2026 (2022: June 2023). These borrowings were guaranteed by Mr. Cao's spouse and a residential property of Mr. Cao (2022: Same).

A secured term loan with carrying amount of approximately S\$902,000 (equivalent to approximately RMB4,839,000) (2022: S\$1,068,000 (equivalent to approximately RMB5,728,000)) which bear floating interest rates with weighted average effective interest rate at 2.88% (2022: 1.68%) per annum. The borrowing was secured by the Group's leasehold land and property with carrying amount of approximately RMB22,432,000 (2022: RMB20,562,000) (Note 13) and corporate guarantee provided by the Company (2022: Same). The term loan is for 15 years and is repayable by instalment and the final maturity date of the loan will be due on 11 June 2028.

A secured bank borrowing with carrying amount of approximately RMB855,000 (2022: Nil) with interest rate at 3.7% per annum and repayable in May 2024. The borrowing is guaranteed by a PRC financing guarantee company, an independent third party of the Company.

A secured bank borrowing with carrying amount of RMB3,490,000 (2022: Nil) which bear interest rate at 6.8% per annum and repayable in May 2025, and the borrowing was guaranteed by a PRC financing guarantee company, an independent third party of the Company.

A secured bank borrowing with carrying amount of RMB2,000,000 (2022: Nil) with interest rate at 12.6% per annum and repayable in July 2025. The borrowing is guaranteed by a director of a subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

20. BORROWINGS (continued)

Notes: (continued)

- (b) As at 30 June 2023, balance represents three (2022: one) unsecured bank borrowings which bear interest at rates of 2.05%, 3.90% and 4.35% (2022: 4.05%) per annum and repayable in June 2024, June 2024 and June 2025, respectively.
- (c) The Group entered into a receivable transfer arrangement (the “Arrangement”) with two financial institutions in the PRC to transfer existing or future trade receivables of a customer with full recourse to the financial institution for financing purpose. In the event of default by the customer, the Group is obliged to pay the financial institution the amount in default. The proceeds of the Arrangement were included in borrowings as asset-backed financing until the trade debts were collected or the Group settled any losses suffered by the financial institution. As at 30 June 2023, carrying amount of proceeds received under the Arrangement is amounting to approximately RMB33,403,000 (2022: RMB10,576,000) which bear interest at a range from 8.5% to 9.0% (2022: 9.0% to 14.5%) per annum. As at 30 June 2023, the amount of existing or future trade receivables pledged under the Arrangement is amounting to approximately RMB33,403,000 (2022: RMB10,576,000).

Other borrowings also include two unsecured other borrowings with carrying amounts of RMB14,500,000 (2022: Nil) and RMB2,000,000 (2022: Nil) with interest rates ranging from 8.0% to 10.0% per annum and repayable in April 2024 and March 2024, respectively.

21. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation
	RMB'000
At 1 July 2021 (Restated)	46
Credited to consolidated profit or loss (Note 8)	–*
At 30 June 2022 and 1 July 2022 (Restated)	46
Credited to consolidated profit or loss (Note 8)	(10)
Exchange realignment	5
At 30 June 2023	41

* Amount less than RMB1,000

As at 30 June 2023, the Group had unused tax losses of approximately RMB21,750,000 (2022: RMB3,443,000) available to offset against future profits sourced in the PRC. Such unused tax losses are subject to the approval of the PRC tax authorities and can be carried forward for five years from the year when the corresponding loss was incurred. No deferred tax asset has been recognised due to unpredictability of future profit streams.

The deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

22. SHARE CAPITAL

	The Company		
	Number of shares	Amount HK\$'000	Amount RMB'000
Ordinary shares of HK\$0.01 each			
Authorised share capital:			
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	1,500,000,000	15,000	13,387
	Number of shares		Amount RMB'000
Issued and paid-up:			
At 1 July 2021 (Restated)	800,000,000		6,787
Issuance of shares upon placing, net of transaction costs (Note (a))	80,000,000		668
At 30 June 2022 and 1 July 2022 (Restated)	880,000,000		7,455
Issuance of shares (Note (b))	24,000,000		210
At 30 June 2023	904,000,000		7,665

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

Notes:

- (a) On 19 July 2021, the Company completed the placing of 80,000,000 placing shares (the "Placing") representing approximately 9.09% of the enlarged issued share capital of the Company as at the date of this report. The gross and net proceeds (after deducting the placing commission and other related expenses) from the Placing are amounted to HK\$52,800,000 (equivalent to approximately RMB44,081,000) and HK\$52,377,548 (equivalent to approximately RMB43,728,000), respectively. The Company intends to apply the net proceeds from the Placing for (i) the networking business in the PRC; (ii) the e-commerce operation in the PRC; and (iii) general working capital and general corporate purposes.
- (b) On 18 April 2023, the Company has allotted and issued of 24,000,000 shares (the "Awarded Shares") to a trustee as fully paid at nominal value under the general mandate pursuant to the share award scheme (the "Share Award Scheme") (Note 24(b)). The Awarded Shares represented approximately 2.65% of the enlarged issued share capital of the Company as at the date of this report. On the issuance date, the Trustee held such Shares on trust for the Selected Participants (defined in Note 24(b)) and will transfer the respective proportions to each of them at Nil consideration upon vesting and settlement of their respective Awarded Shares. Accordingly, no fund was raised from the allotment and issuance of the Awarded Shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

23. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of these financial statements.

(a) Share premium

Share premium arose from the issue of shares at a price greater than the par value of the shares and can be utilised for future bonus issue.

(b) Merger reserve

Merger reserve represents the difference between the cost of acquisition pursuant to the reorganisation in 2017 and the total value of share capital of the entities acquired.

(c) Translation reserve

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserves are dealt with in accordance with the accounting policies set out in Note 3.

(d) Share option and share award reserves

Share option reserve

Cumulative expenses recognised on the granting of share options over the vesting period.

Share award reserve

Cumulative expenses recognised on the share award over the vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) Share option scheme

Pursuant to a resolution passed by the Company's shareholders at annual general meeting held on 14 December 2017, the Company adopted a share option scheme (the "**Share Option Scheme**").

Particulars of the Share Option Scheme are set out bellows:

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution to the Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("**Invested Entity**").

Participants of the Share Option Scheme

- 1) Any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any Invested Entity;
- 2) Any director (including executive, non-executive and independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- 3) Any supplier of goods or services to any member of the Group or any Invested Entity;
- 4) Any customer of the Group or any Invested Entity;
- 5) Any consultant adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- 6) Or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity eligible for options under the Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(a) *Share option scheme* (continued)

Total number of shares available for issue under the Share Option Scheme

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the 16 January 2018, being 80,000,000 Share (the “**Scheme Limit**”). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in that general meeting.

Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

Period within which the shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

Minimum period for which an option must be held before it can be exercised

The minimum period will be determined by the Board upon the grant of an option.

Amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HK\$1 (approximately RMB0.93) is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date no later than 21 business days from the date upon which it is made.

Basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (2) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five consecutive business days immediately preceding the date of grant; and (3) the nominal value of the share on the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(a) *Share option scheme* (continued)

Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 13 December 2027.

Details of share options granted under the Share Option Scheme are as follows:

	Share options granted on 31 December 2021
<hr/>	
Number of ordinary shares issued upon exercise:	
– Directors	18,400,000
– Employees	45,900,000
– External consultants	1,000,000
	<hr/>
	65,300,000
	<hr/>

For the share options granted on 31 December 2021, 19,590,000 share options are exercisable immediately on the date of grant (i.e. 31 December 2021) (the “**first tranche**”); 19,590,000 share options are exercisable 1st anniversary of the date of grant (i.e. 31 December 2022) (the “**second tranche**”); 26,120,000 share options are exercisable on the 2nd anniversary of the date of grant (i.e. 31 December 2023) (the “**third tranche**”).

In the event the grantee ceases to be the participants, the share options granted to the grantee shall lapse on the date which the grantee ceases to be the participant.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(a) Share option scheme (continued)

Remaining life of the Share Option Scheme (continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable are as follows:

Number of share options

Grant date	Exercise price per share option HK\$	Equivalent to RMB	Number of share options			
			As at	Granted	Lapsed/ forfeited	As at
			1 July 2021	during the year	during the year	30 June 2022
31 December 2021						
– Directors	0.30	0.24	–	18,400,000	–	18,400,000
– Employees	0.30	0.24	–	45,900,000	(1,200,000)	44,700,000
– External consultants	0.30	0.24	–	1,000,000	–	1,000,000
			–	65,300,000	(1,200,000)	64,100,000

Grant date	Exercise price per share option HK\$	Equivalent to RMB	Number of share options			
			As at	Granted	Lapsed/ forfeited	As at
			1 July 2022	during the year	during the year	30 June 2023
31 December 2021						
– Directors	0.30	0.24	18,400,000	–	(800,000)	17,600,000
– Employees	0.30	0.24	44,700,000	–	(5,800,000)	38,900,000
– External consultants	0.30	0.24	1,000,000	–	–	1,000,000
			64,100,000	–	(6,600,000)	57,500,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(a) *Share option scheme* (continued)

Remaining life of the Share Option Scheme (continued)

At 30 June 2023, the weighted average remaining contractual life of these outstanding share options was approximately 3.5 years (2022: 4.5 years), with a weighted average exercise price of HK\$0.30 (equivalent to RMB0.28) (2022: HK\$0.30 (equivalent to RMB0.24)) per share option. At 30 June 2023, the number of exercisable share options was 19,230,000 (2022: 19,230,000). The weighted average share price per share from the date of the share options granted to 30 June 2023 was HK\$0.21 (equivalent to RMB0.19) (2022: HK\$0.21 (equivalent to RMB0.18)).

6,600,000 (2022: 1,200,000) share options were lapsed due to termination of employment during the year ended 30 June 2023. As result, share option reserve of approximately RMB525,000 (2022: RMB80,000) was reclassified to accumulated losses during the year ended 30 June 2023. Included in the lapsed share options, an independent non-executive director of the Company, Dr. Cai Rongxin resigned on 1 July 2022 and his 800,000 share options were lapsed accordingly, the remaining 5,800,000 share options were also lapsed during the year.

As of the date of this report, no share options were exercised.

Exercisable at the end of the year

During the year, no share option has been granted since its adoption on 14 December 2017.

The fair values of employee services received in return for share options granted are measured by reference to the fair value of share options granted.

Certain external consultants were engaged to advise on legal advisory and the business expansion through strategic development in e-commerce, etc. In the opinion of the directors of the Company, the fair value of services cannot be measured reliably and the Group should measure the services rendered the external consultants by reference to the fair value of share options granted.

The Group granted 1,000,000 share options to external consultants on 31 December 2021. The options will entitle the grantee to subscribe for a total of 1,000,000 new shares at an exercise price of HK\$0.30 (equivalent to RMB0.24) per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(a) *Share option scheme* (continued)

Exercisable at the end of the year (continued)

For the fair value of services measured indirectly by reference to the fair value of the share options granted, the fair value is determined by the directors of the Company with reference to the valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited using the Binomial Option Pricing Model and significant inputs into the model were as follows:

	Share options granted on 31 December 2021
Expected volatility	100.38%
Expected option life	5 years
Expected dividend yield	0.00%
Annual risk-free interest rate	1.11%
Fair value	HK\$10,300,000
Fair value – first tranche	HK\$0.1382
– second tranche	HK\$0.1550
– third tranche	HK\$0.1740

The expected volatility reflects the assumption that the historical volatility of future trends, adjusted for any expected changes to future volatility based on publicly available information, which may also not necessarily be the actual outcome. No other feature of the options was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

During the year ended 30 June 2023, share-based payment expense of approximately RMB3,038,000 (2022: RMB4,417,000) for the share option scheme was recognised in the consolidated profit or loss with a corresponding credit in share option reserve.

None of the share options were exercised during the years ended 30 June 2023 and 2022. At the time when the share options are subsequently exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(b) Share award scheme

The Share Award Scheme of the Company was adopted on 29 March 2023. The Company granted an aggregate of 24,000,000 Awarded Shares to 16 selected participants (“**Selected Participants**”) pursuant to the terms of the Share Award Scheme at Nil consideration. The purpose of the Share Award Scheme is to recognise the contributions by Selected Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The details are set out in the announcement of the Company dated 29 March 2023.

None of the Selected Participants is a director, chief executive or substantial shareholder of Company or their respective associates or otherwise a connected person of the Company. The grant of Awarded Shares would not result in the Awarded Shares issued and to be issued to each individual Selected Participant in respect of all awards granted to such person in the 12-month period up to and including the date of grant in aggregate to exceed 1% of the shares in issue.

Under the Share Award Scheme, the Selected Participants are required to be continuously employed by the Group during the one-year vesting period and there is no performance target attached to the Awards granted to the Selected Participants. During the year ended 30 June 2023 no share award has been vested, lapsed and cancelled (2022: Nil).

Subject to the terms of the Share Award Scheme and the Listing Rules, the Awarded Shares are held in trust for the relevant Selected Participants until such shares are vested with the relevant Selected Participants in accordance with the provisions of the Share Award Scheme. The shares of the Company held by the Trustee upon issuance are recognised as “shares held under share award scheme”.

Particulars and movements of the Awarded Shares under the Share Award Scheme:

For the year ended 30 June 2023

Type of grantee	Grant date	Vesting date	Fair value per share award HK\$	Equivalent to RMB	Outstanding number of share award			
					As at 1 July 2022	Granted during the year	Lapsed/ forfeited during the year	As at 30 June 2023
Employees	29 March 2023	29 March 2024	0.245	0.236	-	24,000,000	-	24,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(b) *Share award scheme* (continued)

The fair value of the shares award granted was calculated based on the market prices of the Company's shares at the grant date. No dividend was considered in the calculation. The fair value of the shares award granted were calculated as HK\$5,880,000 (equivalent to approximately RMB5,441,000) per share at the grant date, respectively. During the year, the Group recognised a net expense relating to the Share Award Scheme of approximately RMB1,020,000 (2022: Nil) in the consolidated profit or loss.

The Company also adopted another share award scheme (the “**2021 Share Award Scheme**”) on 18 February 2021 to recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The details are set out in the announcements of the Company dated 18 February 2021 and 9 March 2021. According to the 2021 Share Award Scheme, the award shares will be satisfied by way of (i) allotment and issue of new shares to the trustee at the subscription price under general mandate or specific mandate (as the case may be); or (ii) acquisition of existing shares through on-market transactions by the trustee and will be held on trust until they are vested. The maximum number of all award shares granted under the 2021 Share Award Scheme shall not exceed 1% of the total issued share capital of the Company from time to time. During the year ended 30 June 2023, no shares of the Company were purchased by the trustee of the 2021 Share Award Scheme pursuant to the terms of the trust deed of the 2021 Share Award Scheme (2022: Nil). No share award under the 2021 Share Award Scheme has been granted, vested, lapsed and cancelled during the year (2022: Nil).

25. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund (“**CPF**”) Board of Singapore, the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the years ended 30 June 2023 and 2022, the Group contributes up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S\$6,000 (equivalent to approximately RMB31,000) per month. The Group has no further legal or constructive obligation for post-retirement benefits beyond the contributions made.

The total costs charged to the consolidated profit or loss amounting to approximately RMB784,000 (2022: RMB725,000) for the year ended 30 June 2023 represent contributions paid to the retirement benefits scheme by the Group in Singapore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. RETIREMENT BENEFIT PLAN (continued)

The Group companies in the PRC contribute funds, based on certain percentage of the salaries of the employees, to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further legal or constructive obligation for post-retirement benefits beyond the contributions made.

The total costs charged to consolidated profit or loss amounting to approximately RMB940,000 (2022: RMB1,114,000) for the year ended 30 June 2023 represent contributions paid to the defined contribution retirement benefit plan by the Group in the PRC.

The Group also participates in the Employees' Provident Fund in Malaysia and Mandatory Provident Fund in Hong Kong, which are defined contribution retirement plans, when employees have rendered service entitling them to the contributions.

The total costs charged to the consolidated profit or loss amounting to approximately RMB20,000 (2022: RMB20,000) and RMB62,000 (2022: RMB35,000) for the year ended 30 June 2023 represent contributions paid to the retirement benefits scheme by the Group in Malaysia and Hong Kong, respectively.

Save for the aforementioned, the Group did not participate in any other pension schemes (2022: Same).

26. RELATED PARTY TRANSACTIONS

Related parties refer to entities in which directors of the Group and his/her spouse have beneficial interest in. Save as disclosed elsewhere to the consolidated financial statements, the Group has the following transactions and balances with related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years presented were as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Short term benefits	11,642	9,578
Share-based payments	958	1,360
Post-employment benefits	407	497
Total compensation	13,007	11,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

27. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company as at 30 June 2023 are set out below.

Name of subsidiary	Place of incorporation/ operation	Registered/ Issued capital	Effective interest and voting rights held		Principal activities
			2023	2022	
<i>Directly held:</i>					
Holy Ark Limited	The BVI	1,050 ordinary shares of United States Dollars ("US\$") 1,050	100%	100%	Investment holding
Guo Du Industrial Limited	The BVI	100 ordinary shares of US\$100	100%	100%	Investment holding
<i>Indirectly held:</i>					
ISPL Pte. Ltd.	Singapore	525 ordinary shares of RMB525,000	100%	100%	Sale of sound and communication systems, provision of integrated services of sound and communication systems
ISPL Sdn. Bhd.	Malaysia	50,000 ordinary shares of MYR50,000	100%	100%	Sale of sound and communication systems, provision of integrated services of sound and communication systems
ISPL Limited	Hong Kong	1 ordinary share of HK\$1	100%	100%	Investment holding
上海蒙莊信息技術有限公司	The PRC	Registered capital of RMB1,000,000	100%	100%	Dormant
Haohui Industry Limited	Hong Kong	1 ordinary share of HK\$1	100%	100%	Investment holding
灑輝 (深圳) 商業顧問有限公司 ^(c)	The PRC	Registered capital of HK\$80,000,000	100%	100%	Investment holding
中網雲鏈 (深圳) 科技有限公司 (formerly known as 團多多 (深圳) 網絡科技有限公司) ^(c)	The PRC	Registered capital of RMB10,000,000	100%	100%	E-commerce operation
北京嘉信灑輝網絡科技有限公司 ^{(c) & (d)}	The PRC	Registered capital of RMB5,000,000	100%	100%	E-commerce operation
上海格洛博森供應鏈管理有限公司 ^(c)	The PRC	Registered capital of RMB1,875,000	100%	100%	E-commerce operation
愛思普 (北京) 信息科技有限公司	The PRC	Registered capital of RMB6,000,000	100%	100%	E-commerce operation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

27. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Registered/ Issued capital	Effective interest and voting rights held		Principal activities
			2023	2022	
中網雲鏈 (北京) 科技 有限公司 ^(c)	The PRC	Registered capital of RMB30,000,000	100%	100%	Sale and provision of integrated services of networking systems
藕丁科技 (上海) 有限公司 ^{(a) & (d)}	The PRC	Registered capital of RMB1,000,000	60%	60%	E-commerce operation
甘肅絲路藕丁數字科技 有限公司 ^{(a) & (d) & (f)}	The PRC	Registered capital of RMB1,000,000	36%	36%	E-commerce operation
Easy Success International Holdings Limited ^{(a) & (d)}	The BVI	1,000 ordinary shares of US\$1,000	55%	55%	Investment holding
Global Sourcing Holding Limited ^(a)	Hong Kong	10,000 ordinary shares of HK\$10,000	55%	55%	Investment holding
北京里奧貝通科技 有限公司 ^(b) (Note 28)	The PRC	Registered capital of RMB5,000,000	55%	55%	E-commerce operation
Express Triumph Limited ^(b)	Hong Kong	10,000 ordinary shares of HK\$10,000	55%	55%	Dormant
Haojia Enterprise Limited ^{(a) & (d)}	The BVI	1,000 ordinary shares of US\$1,000	60%	60%	Investment holding
Haojia Development Limited ^(a)	Hong Kong	10,000 ordinary shares of HK\$10,000	60%	60%	Investment holding
北京灝成科技有限公司 ^(a)	The PRC	Registered capital of RMB2,000,000	60%	60%	Investment holding
北京趕挑科技有限公司 ^(a)	The PRC	Registered capital of RMB2,000,000	60%	60%	E-commerce operation
北京灝夢科技有限公司 ^(a)	The PRC	Registered capital of RMB1,000,000	44%	N/A	E-commerce operation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

27. PARTICULARS OF SUBSIDIARIES (continued)

Notes:

- (a) These subsidiaries were incorporated during the year ended 30 June 2022.
- (b) These subsidiaries were acquired from independent third parties during the year ended 30 June 2022.
- (c) During the year ended 30 June 2022, the Group acquired the remaining 49% interest in 北京嘉信灝輝網絡科技有限公司 from non-controlling interest, increase its continuing interests from 51% to 100%. The net consideration for the acquisition amounted to RMB490,000 was paid in cash. An amount of RMB490,000 (being the proportionate share of the carrying amount of the net assets of 北京嘉信灝輝網絡科技有限公司) had been transferred from non-controlling interests.
- (d) During the year ended 30 June 2022, the non-controlling shareholders of 藕丁科技(上海)有限公司, Easy Success International Holdings Limited and Haojia Enterprise Limited had made capital contribution amounting to approximately RMB400,000, RMB382,000 and RMB2,000, respectively.
- (e) This subsidiary was incorporated during the year ended 30 June 2023.
- (f) This subsidiary was deregistered during the year ended 30 June 2023.

None of the subsidiaries had issued any debt securities as at 30 June 2023 and 2022.

28. ACQUISITION OF SUBSIDIARIES

For the year ended 30 June 2022

A partially-owned subsidiary of the Company entered into an ownership transfer agreement with an independent third party on 11 April 2022 to acquire entire equity interest of 北京里奧貝通科技有限公司 (the “**2022 Beijing Acquisition**”) at Nil consideration. As at 11 April 2022, 北京里奧貝通科技有限公司 did not have any assets, liabilities nor capital injection from former shareholder. The 2022 Beijing Acquisition was completed on 11 April 2022. The directors of the Company considered that the 2022 Beijing Acquisition allows the Group to explore a new income stream, diversify the Group’s business segments of e-commerce operation by entering into the PRC market and engage in the business of e-commerce operation in the PRC which can improve the Group’s revenue and results.

The acquired business contributed revenue of approximately RMB182,000 and net loss of approximately RMB960,000 for the period from 11 April 2022 to 30 June 2022. If the acquisition had occurred on 1 July 2021, pro forma consolidated revenue and pro forma consolidated loss of the Group for the year ended 30 June 2022 would have been approximately RMB98,135,000 and RMB23,967,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES AND MAJOR NON-CASH TRANSACTIONS

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Lease liabilities	Amount due to a third party and a director of the Company
	RMB'000	RMB'000	RMB'000
	(Note 20)	(Note 13)	(Note 19)
At 1 July 2021 (Restated)	5,936	11,060	30,200
Changes from financing cash flows:			
Repayment to third parties	–	–	(23,543)
Repayment to a director of the Company	–	–	(1,701)
Repayment of bank and other borrowings	(1,784)	–	–
Repayment of leases liabilities – principal	–	(2,993)	–
Repayment of leases liabilities – interest	–	(480)	–
Proceeds from bank and other borrowings	24,568	–	–
Interest paid on bank and other borrowings	(116)	–	–
Total changes from financing cash flows	22,668	(3,473)	(25,244)
Other changes:			
Interest on lease liabilities (Note 7)	–	480	–
Interest on bank and other borrowings (Note 7)	116	–	–
Interest on amount due to a third party (Note 7)	–	–	482
Additions of new leases (Note 13)	–	1,697	–
Rent concession in relation to COVID-19 (Note 6)	–	(163)	–
Exchange realignment	–	37	(1,024)
Total other changes	116	2,051	(542)
At 30 June 2022 (Restated)	28,720	9,638	4,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES AND MAJOR NON-CASH TRANSACTIONS (continued)

	Borrowings	Lease liabilities	Amounts due to a third party and a director of the Company
	RMB'000	RMB'000	RMB'000
	(Note 20)	(Note 13)	(Note 19)
At 1 July 2022 (Restated)	28,720	9,638	4,414
Changes from financing cash flows:			
Repayment to third parties	–	–	(4,115)
Repayment to a director of the Company	–	–	(299)
Repayment of bank and other borrowings	(27,441)	–	–
Repayment of leases liabilities – principal	–	(2,738)	–
Repayment of leases liabilities – interest	–	(455)	–
Proceeds from bank and other borrowings	78,867	–	–
Interest paid on bank and other borrowings	(2,543)	–	–
Total changes from financing cash flows	48,883	(3,193)	(4,414)
Other changes:			
Interest on lease liabilities (Note 7)	–	455	–
Interest on bank and other borrowings (Note 7)	2,543	–	–
Additions of new leases (Note 13)	–	8,058	–
Written-off of lease liabilities	–	(6,462)	–
Exchange realignment	541	(826)	–
Total other changes	3,084	1,225	–
At 30 June 2023	80,687	7,670	–

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For the year ended 30 June 2023

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	–	897
Investments in subsidiaries	33,953	31,291
Amounts due from subsidiaries	44,961	48,493
	78,914	80,681
Current assets		
Amounts due from subsidiaries	9	6,810
Other receivables and deposits	102	721
Bank balances and cash	1,261	365
	1,372	7,896
Current liabilities		
Other payables	2,818	737
Lease liabilities	–	758
	2,818	1,495
Net current (liabilities)/assets	(1,446)	6,401
Total assets less current liabilities	77,468	87,082
Net assets	77,468	87,082
EQUITY		
Capital and reserves		
Share capital	7,665	7,455
Reserves	69,803	79,627
Total equity	77,468	87,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option and share award reserves RMB'000	Shares held under share award scheme RMB'000	Currency translation reserve RMB'000	Retained profits/ losses (accumulated) RMB'000	Total RMB'000
At 1 July 2021 (Restated)	43,222	–	–	(628)	3,058	45,652
Issuance of shares upon placing, net of transaction costs (Note 24(a))	43,060	–	–	–	–	43,060
Recognition of equity-settled share-based payments (Note 24(a))	–	4,417	–	–	–	4,417
Lapse of share option (Note 24(a))	–	(80)	–	–	80	–
Loss and total comprehensive loss for the year	–	–	–	2,016	(15,518)	(13,502)
At 30 June 2022 and 1 July 2022 (Restated)	86,282	4,337	–	1,388	(12,380)	79,627
Shares for Share Award Scheme held in trust (Notes 22(b) and 24(b))	–	–	(210)	–	–	(210)
Recognition of equity-settled share-based payments in relation to share options (Note 24(a))	–	3,038	–	–	–	3,038
Recognition of equity-settled share-based payments in relation to share award (Note 24(b))	–	1,020	–	–	–	1,020
Lapse of share option (Note 24(a))	–	(525)	–	–	525	–
Loss and total comprehensive loss for the year	–	–	–	5,763	(19,435)	(13,672)
At 30 June 2023	86,282	7,870	(210)	7,151	(31,290)	69,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of debt, which includes lease liabilities and borrowings as disclosed in Notes 13 and 20, net of bank balances and cash and equity attributable to the owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	2023 RMB'000	2022 RMB'000 (Restated)
Financial assets at amortised cost		
Trade receivables	16,287	36,772
Other receivables and deposits (Note (a))	7,190	4,069
Pledged bank deposits, bank balances and cash	46,097	41,707
	69,574	82,548
Financial liabilities at amortised cost		
Trade and other payables (Note (b))	26,893	33,070
Lease liabilities	7,670	9,638
Borrowings	80,687	28,720
	115,250	71,428

Notes:

(a) The amount excludes VAT recoverable.

(b) The amount excludes GST payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, deposits, pledged bank deposits, bank balances and cash, trade and other payables, lease liabilities and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interests earned on bank balances and incurred on borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate deposits.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

Variable-rate borrowings

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before income tax for the year ended 30 June 2023 would increase/decrease by Nil (2022: RMB28,000).

Variable-rate bank balances

If interest rates of variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's loss before income tax for the year ended 30 June 2023 would decrease/increase by approximately RMB10,000 (2022: RMB9,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

Financial risk management objectives and policies (continued)

(b) Currency risk

Certain bank balances (Note 18) and trade payables (Note 19) are denominated in US\$, HK\$ or Malaysian Ringgit (“MYR”) other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

At the end of the reporting period, the carrying amounts of the Group’s monetary assets and monetary liabilities denominated in foreign currencies are as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)
US\$	4,153	669	3,769	1,466
HK\$	1,409	1,329	2,976	1,127
MYR	83	268	10	2

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the RMB against US\$ would result in an increase/decrease in the Group’s loss before income tax by approximately RMB38,000 (2022: RMB80,000) for the year ended 30 June 2023.

No sensitivity analyses on the change of RMB against the MYR and of RMB against the HK\$ are prepared as the impact to the consolidated financial statements is insignificant.

In the management’s opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

Financial risk management objectives and policies (continued)

(c) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The carrying amounts of the financial assets represent the maximum exposure to credit risk.

The Group monitored the receivable balances in an ongoing basis and the Group's exposed to bad debts is not significant.

The directors of the Company consider that the credit risk on liquid funds is low as counterparties are banks with good reputation.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and sufficient allowance on doubtful debts are provide for on timely manner. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

At the end of the reporting period, 4% (2022: 41%) and 27% (2022: 74%) of the gross trade receivables was due from the Group's largest customers and the five largest customers which exposed the Group to certain concentration of credit risk.

Those five largest customers are with good creditworthiness based on historical settlement record and with strong financial background. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

Other than the credit risk on bank deposits and balances and on trade receivables from top 5 customers as disclosed above, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

In order to minimise credit risk, the Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its settlement records to rate its major customers and other debtors. The Group does not hold any collateral to cover its credit risks associated with its financial assets. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)	
		Trade nature	Non-trade nature
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired	12-month ECL – not credit-impaired
Doubtful	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired	12-month ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

The table below details the credit quality of the Group's financial assets and contract assets as well as maximum exposure to credit risk by credit risk rating grades:

	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
At 30 June 2023						
Trade receivables	16	Performing (Note (i))	Lifetime ECL (Simplified approach)	16,773	(486)	16,287
Deposits	16	Performing	12-month ECL	3,433	-	-
Advances to staffs	16	Performing	12-month ECL	776	-	-
Other receivables (excluding VAT recoverable)	16	Performing (Note (ii))	12-month ECL	2,846	-	-
Contract assets	17	Performing (Note (i))	Lifetime ECL (Simplified approach)	3,149	-	-
Bank balances and cash	18	Performing	12-month ECL	46,097	-	46,097
					(486)	
At 30 June 2022 (Restated)						
Trade receivables	16	Performing (Note (i))	Lifetime ECL (Simplified approach)	37,954	(1,182)	36,772
Deposits	16	Performing	12-month ECL	3,167	-	3,167
Advances to staffs	16	Performing	12-month ECL	259	-	259
Other receivables (excluding VAT recoverable)	16	Performing (Note (ii))	12-month ECL	663	-	663
Contract assets	17	Performing (Note (i))	Lifetime ECL (Simplified approach)	407	-	407
Bank balances and cash	18	Performing	12-month ECL	41,707	-	41,707
Pledged bank deposits	18	Performing	12-month ECL	997	-	997
					(1,182)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

Notes:

- (i) For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Note 16 includes further details on the loss allowance for the trade receivables. For contract assets, management believes that there is no loss allowance required as at 30 June 2023 and 2022.

- (ii) For other receivables and deposits, the Group has measured on 12-month ECL basis unless there had been significant increase in credit risk since initial recognition. The Group has assessed that there is no significant increase of credit risk for other receivables and deposits.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(continued)

Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

The Group

	Weighted average effective interest %	On demand or within 3 months RMB'000	3 to 6 months RMB'000	6 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 30 June 2023								
<i>Non-interest bearing</i>								
Trade and other payables	N/A	28,742	-	-	-	-	28,742	28,742
<i>Interest bearing</i>								
Lease liabilities	5.51	832	832	1,667	4,965	-	8,296	7,670
Borrowings	7.22	1,716	34,642	27,816	18,781	3,347	86,302	80,687
		31,290	35,474	29,483	23,746	3,347	123,340	117,099
As at 30 June 2022 (Restated)								
<i>Non-interest bearing</i>								
Trade and other payables	N/A	28,955	-	-	-	-	28,955	28,955
<i>Interest bearing</i>								
Amount due to a third party	6.00	4,115	-	-	-	-	4,115	4,115
Lease liabilities	5.21	1,190	1,190	1,246	5,146	1,727	10,499	9,638
Borrowings	7.32	952	10,773	13,707	3,934	1,002	30,368	28,720
		35,212	11,963	14,953	9,080	2,729	73,937	71,428

(e) Fair value

As at 30 June 2023 and 2022, all financial instruments measured at amortised costs are carried at amounts not materially different from their fair value.

33. OPERATING LEASE COMMITMENTS

As at 30 June 2023 and 2022, lease commitments for the Group for short-term leases are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Within one year	175	609

SUMMARY FINANCIAL INFORMATION

	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000 (Restated)	2020 RMB'000 (Restated)	2019 RMB'000 (Restated)
Revenue	209,807	95,469	49,626	33,465	43,069
Costs of sales/services	(155,686)	(75,066)	(30,924)	(20,183)	(29,404)
Gross profit	54,121	20,403	18,702	13,282	13,665
Other income	1,383	757	2,116	1,309	602
Selling and administrative expenses	(78,024)	(40,773)	(21,296)	(12,688)	(13,534)
Other (losses) and gains, net	(2,091)	(1,753)	969	540	1,172
Finance costs	(2,998)	(1,078)	(989)	(177)	(194)
(Loss)/profit before income tax	(27,609)	(22,444)	(498)	2,266	1,711
Income tax expense	(901)	(1,833)	(606)	(853)	(1,223)
(Loss)/profit for the year	(28,510)	(24,277)	(1,104)	1,413	488
Other comprehensive income/(loss) <i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations	6,706	708	(5,056)	(4,705)	(59)
Other comprehensive income/(loss) for the year, net of income tax	6,706	708	(5,056)	(4,705)	(59)
Total comprehensive (loss)/income for the year	(21,804)	(23,569)	(6,160)	(3,292)	429
ASSETS					
Non-current assets					
Property, plant and equipment	30,889	30,441	32,619	24,410	26,977
Goodwill	901	899	899	-	-
Pledged bank deposits	-	-	-	1,049	1,050
Deposits	51	418	1,245	-	-
Total non-current assets	31,841	31,758	34,763	25,459	28,027
Current assets					
Inventories	89,697	39,577	7,406	2,775	885
Trade receivables	16,287	36,772	18,084	7,270	8,853
Other receivables, deposits and prepayments	22,086	19,782	12,377	920	622
Contract assets	3,149	407	155	205	640
Contract costs	-	-	-	-	183
Pledged bank deposits, bank balances and cash	46,097	41,707	53,670	50,790	49,093
Total current assets	177,316	138,245	91,692	61,960	60,276
Total assets	209,157	170,003	126,455	87,419	88,303

SUMMARY FINANCIAL INFORMATION

	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000 (Restated)	2020 RMB'000 (Restated)	2019 RMB'000 (Restated)
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	28,742	33,560	36,973	2,780	4,028
Lease liabilities	2,993	3,343	3,863	–	–
Borrowings	59,378	24,375	806	859	797
Income tax payable	929	1,873	1,171	1,408	1,207
Contract liabilities	13,618	1,094	1,051	279	293
Total current liabilities	105,660	64,245	43,864	5,326	6,325
Non-current liabilities					
Lease liabilities	4,677	6,295	7,197	–	–
Borrowings	21,309	4,345	5,130	6,240	7,108
Deferred tax liabilities	41	46	46	316	677
Total non-current liabilities	26,027	10,686	12,373	6,556	7,785
Equity					
Share capital	7,665	7,455	6,787	6,787	6,787
Reserves	72,071	88,342	62,908	68,750	67,406
Total equity attributable to the owners of the Company	79,736	95,797	69,695	75,537	74,193
Non-controlling interest	(2,266)	(725)	523	–	–
Total equity	77,470	95,072	70,218	75,537	74,193
Total liabilities and equity	209,157	170,003	126,455	87,419	88,303