



PINE TECHNOLOGY
HOLDINGS LIMITED
松景科技控股有限公司*
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
Stock Code 股份代號 : 1079



2023 ANNUAL REPORT
年度報告

* For identification purpose only
僅供識別

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FINANCIAL HIGHLIGHTS

KEY FINANCIAL FIGURES AND RATIOS

	Audited results for the year ended 30 June		
	2023 HK\$'000	2022 HK\$'000 (Restated) [#]	Changes in %
Performance indicators			
Continuing operations			
Revenue	46,993	51,776	-9%
Gross (loss)/profit margin	(2.7%)	8.6%	N/A
Loss for the year	(107,487)	(74,748)	44%
Loss attributable to owners of the Company	(103,123)	(73,009)	41%
Loss per share-basic and diluted (HK\$)	(0.078)	(0.055)	42%
Financial health indicators			
Total assets	107,606	233,916	-54%
Net current assets	84,581	114,041	-26%
Cash and cash equivalents	98,109	111,639	-12%
Net cash	96,742	105,766	-9%
Liquidity and gearing			
Current ratio (times)	5.05	4.83	5%
Gearing ratio (%)	21	17	24%

[#] The amounts are restated to reflect the change of presentation currency as detailed in Note 1 to the consolidated financial statements.



CORPORATE INFORMATION

Board of Directors

Executive Director

Mr. Zhang Sanhuo
(*Chairman and Chief Executive Officer*)

Independent Non-executive Directors

Mr. So Stephen Hon Cheung
Mr. Zhou Chunsheng
Mr. Tian Hong

Company Secretary

Mr. Chan Cheuk Ho

Authorised Representatives

Mr. Zhang Sanhuo
Mr. Chan Cheuk Ho

Audit Committee

Mr. So Stephen Hon Cheung (*Chairman*)
Mr. Zhou Chunsheng
Mr. Tian Hong

Remuneration Committee

Mr. So Stephen Hon Cheung (*Chairman*)
Mr. Zhang Sanhuo
Mr. Zhou Chunsheng
Mr. Tian Hong

Nomination Committee

Mr. Zhang Sanhuo (*Chairman*)
Mr. So Stephen Hon Cheung
Mr. Zhou Chunsheng
Mr. Tian Hong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit B, 12/F., Central 88
88–98 Des Voeux Road Central
Central
Hong Kong

Principal Bankers

Bank of Communications (Hong Kong) Limited
Bank of China Guangdong Branch
Industrial and Commercial Bank of China
(Guangdong Provincial Branch)

Principal Share Registrar and Transfer Agent

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Independent Auditor

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Adviser

As to Hong Kong Law:
Michael Li & Co Solicitors

Stock Code

1079

Website of the Company

<https://www.irasia.com/listco/hk/pine>



CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Director(s)**”) of PINE Technology Holdings Limited (the “**Company**”), I hereby present the annual report of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2023 (the “**Year**”). For the Year, the Group’s revenue was approximately HK\$47.0 million, representing approximately a 9.3% decrease compared to that of approximately HK\$51.8 million (restated) last year. The Group recorded gross loss for the Year of approximately HK\$1.3 million, as compared to the gross profit of approximately HK\$4.5 million (restated) last year. The Group incurred a loss from continuing operations of approximately HK\$107.5 million for the Year, while the loss from continuing operations for the last year amounted to approximately HK\$74.7 million.

The overall global economy remains to be bleak and uncertain due to, among others, the continued Russo-Ukrainian war, and the inflationary pressures, geopolitical instability and a slower than expected economic recovery in the People’s Republic of China (the “**PRC**”), all of which continue to cause an environment of sluggish growth. The prevailing adverse economic and financial condition has posed negative impacts on the business performance and financial position of the Group during the Year. The market demand for the Group’s core business services and solutions was weak during the Year.

During the Year, the asynchronism in the monetary policies among different economies attributed to the difference in inflation and economic operation of different economies, which has increased the uncertainty in global economic development. The PRC’s economy and society have resumed to normal operation in an all-round way, but it still faces the impact of external shocks and repression, insufficient domestic demand, major changes in the relationship between supply and demand in the real estate market, and the slowdown in investment and consumption. The domestic economic recovery has experienced a wave-like development and tortuous progress.

Outlook

Under the fast-changing and uncertain business environment, the Group’s clients are suffering from the adverse economic impact brought about by the Russo-Ukrainian war, supply chain disruption, rising inflation, interest rate hikes, etc.

Looking forward, the Group expects to face various challenges in the coming year. Whilst ongoing challenges are likely to persist in the coming financial year, we remain to be cautiously optimistic to the future of the economic growth of core markets. In this regard, management will focus on different segments where we endeavour to develop our competitive edge in the coming year.

Appreciation

On behalf of the Board, I would like to sincerely thank all our team members for their support, hard work and dedication throughout the Year. We also acknowledge and thank our customers, partners, shareholders and other stakeholders for their continued support and trust. We look forward to a successful future together.

Zhang Sanhuo
CHAIRMAN

Hong Kong, 28 September 2023



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Continuing Operation

Revenue

During the Year, the Group's revenue is principally derived from (i) sales of other brand products; (ii) trading of plastic products; and (iii) provision of computer software and hardware and system development service.

The Group's revenue from its continuing operations for the Year experienced a year-on-year decrease of approximately 9%, amounting to approximately HK\$46,993,000 (2022: approximately HK\$51,776,000 (restated)). This decline was primarily attributed to a significant decrease of approximately 78% in the Group's revenue from the provision of computer software and hardware and system development services and was a result of adverse market conditions in the PRC throughout the Year.

The Group generated revenue of approximately HK\$35,568,000 from the trading of plastic products in the Year (2022: Nil) and a revenue of approximately HK\$105,000 from the sales of other brand products (2022: Nil). This partially offset the significant decline in revenue from the provision of computer software and hardware and system development service.

Gross profit and gross profit margin

The Group experienced a decrease in revenue from its continuing operations while cost of sales from its continuing operations increased correspondingly, resulting in the Group's gross profit from continuing operations changing from approximately HK\$4,455,000 (restated) in the last year to a gross loss from continuing operations of approximately HK\$1,268,000 in the Year. The gross profit margin from continuing operations declined from approximately 8.6% (restated) in the previous year to a gross loss margin from continuing operations of approximately 2.7% in the Year.

Other Income

Other income from continuing operations mainly represents income incidental to the Group's business, principally including sundry income, bank interest income and government subsidy. Other income from continuing operations, amounted to approximately HK\$605,000 for the Year, represents approximately a 25% increase when compared with approximately HK\$484,000 (restated) last year.

Other Gains and Losses, net

Other losses from continuing operations of the Group were approximately HK\$8,037,000 for the Year as compared to other losses from continuing operations of approximately HK\$1,319,000 (restated) last year. The change was mainly due to the depreciation of the Renminbi, resulting in an increase in foreign exchange losses for the Year.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Continuing Operation *(Continued)*

Impairment Loss on Goodwill and Intangible Assets-Customer Relationship (the “Intangible Assets”)

The Group’s financial performance was negatively impacted by the Intangible Assets during the Year.

The impairment loss on goodwill of approximately HK\$18,289,000 (2022: approximately HK\$43,991,000 (restated)) (the “**Impairment Loss A**”) and the impairment loss on Intangible Assets of approximately HK\$58,007,000 (2022: Nil) (the “**Impairment Loss B**”) recognised during the Year were mainly related to a PRC subsidiary (the “**PRC Subsidiary**”). The Group acquired the PRC Subsidiary in July 2018, which provides computer software and hardware and system development services in the PRC. Details of the impairment loss calculations are provided in Notes 17 and 18 to the consolidated financial statements.

According to the Hong Kong Accounting Standard 36 “Impairment of Assets” (“**HKAS 36**”) issued by the Hong Kong Institute of Certified Public Accountants, the recoverable amount of an asset is required to be measured whenever there is an indication that the asset may be impaired.

The Group determined the recoverable amount of goodwill and intangible assets based on the value-in-use (the “**VIU**”) of the cash generating units (“**CGUs**”) that are expected to benefit from a business combination. For the purposes of impairment testing, goodwill and intangible assets are allocated to each of the Group’s CGUs that is expected to benefit from the business combination. The carrying amount of goodwill and intangible assets arising from the acquisition of the PRC Subsidiary during the year ended 30 June 2019 had been allocated to the computer software and hardware and system development service segment. A CGU to which goodwill and intangible assets has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired, which is based on the estimation of the recoverable amount of the CGU, being the higher of the VIU or fair value less costs of disposal.

The VIU calculation takes into account the future cash flow expected to arise from the CGU and a suitable discount rate in arriving at the present value. Where the actual cash flow is less than expected, or any change in facts and circumstances results in downward revision of future cash flow, the VIU of a CGU may be reduced accordingly. In the event that the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount will be reduced to the recoverable amount, and an impairment loss will be recognised.

(a) *Details of the underlying reasons for, or the events and circumstances leading to the recognition of the Impairment Loss A and Impairment Loss B*

As detailed in the Note 6 to the consolidated financial statement, the computer software and hardware and system development service segment’s revenue was approximately HK\$11,320,000 for the Year, representing an approximate 78% decrease as compared to approximately HK\$51,776,000 (restated) for the last year.



FINANCIAL REVIEW (Continued)
Continuing Operation (Continued)

Impairment Loss on Goodwill and Intangible Assets-Customer Relationship (the “Intangible Assets”) (Continued)

(a) *Details of the underlying reasons for, or the events and circumstances leading to the recognition of the Impairment Loss A and Impairment Loss B (Continued)*

During the first half of the Year, the implementation of strict lockdown measures and anti-pandemic policies in the PRC had a discouraging effect on business activities, thereby adversely affecting the operation and development of the PRC Subsidiary. In the second half of the Year, the global economy continued to decline, posing significant challenges to the PRC’s economy. The reduced demand for informatization construction further impacted the business development plan of the PRC Subsidiary. Consequently, a considerable portion of the customer base exhibited a decreased willingness to invest in or upgrade their computer software and hardware, leading to a declined in significant project opportunities during the Year. This, in turn, resulted in the loss of existing core customers (the “**Core Customers**”) and posed difficulties in attracting new customers for the PRC Subsidiary, thereby affecting its overall performance. As a result, the PRC Subsidiary was unable to secure significant contracts or projects and recorded an operating loss for the Year.

As detailed in the valuation report at the time of acquisition in July 2018, Intangible Assets arose from the acquisition of the PRC Subsidiary and was valued by an independent external valuer (the “**Valuer**”) adopting the multi-period excess earnings method under the income approach. At the time of acquisition, the PRC Subsidiary’s Intangible Assets were evaluated based on the PRC Subsidiary’s Core Customers of the five years preceding the acquisition. As at the valuation date, the PRC Subsidiary’s relationships with the majority of the Core Customers have been well-established, strong and achieved through track records of quality product deliveries. These Intangible Assets enable the PRC Subsidiary to have a stable source of revenue and also provide a solid foundation for business growth and development.

In view of the above and in preparing the consolidated financial statements of the Group for the Year, after taking into account that (i) the PRC economic recovery remained uncertain at the material time; (ii) the PRC Subsidiary was unable to achieve the growth rate forecasted for the Year; (iii) almost all of the existing significant contracts and projects of the PRC Subsidiary had been completed in the Year, but no significant contracts or projects had been obtained by the PRC Subsidiary during the Year; (iv) the PRC Subsidiary failed to obtain any significant new contracts or projects from its Core Customers during the Year; and (v) the market sentiment in the PRC was unfavourable to business activities in general at the material time, the management of the Group has revised and adjusted downwards the next five-year revenue, gross margin and net margin forecast of the PRC Subsidiary for the five financial years ending 30 June 2028 (the “**Adjustments**”), leading to a significant reduction in the VIU of the CGUs and the recoverable amount of the CGUs for the Year. As such, the management of the Group recognised the Impairment Loss A and Impairment Loss B during the Year.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Continuing Operation *(Continued)*

Impairment Loss on Goodwill and Intangible Assets-Customer Relationship (the “Intangible Assets”) *(Continued)*

(b) *The valuation method, and the reason(s) for adopting such method*

The Valuer has referenced to the HKAS 36 pursuant to which an estimate of the future cash flow that the entity expects to derive from the asset has to be reflected in the calculation of an asset’s VIU. Hence, the Valuer has adopted the discounted cash flow method under the income approach in assessing the VIU of the PRC Subsidiary.

The Valuer has been adopting the income approach in arriving at the VIU of the PRC Subsidiary since the completion of the acquisition of the PRC Subsidiary during the year ended 30 June 2019. Hence, the valuation method adopted in assessing the VIU of the CGUs for the Year was consistent with the previous valuations.

(c) *Reasons for any significant changes in the value of inputs or assumptions from those previously adopted*

In the light of the reasons disclosed above in the paragraph headed “(a) Details of the underlying reasons for, or the events and circumstances leading to the recognition of the Impairment Loss A and Impairment Loss B”, the actual performance of the PRC Subsidiary was sub-par as compared to last year and remained to be loss-making in the Year. Accordingly, the management of the Group has made the Adjustments to reflect the latest situation that (i) the PRC Subsidiary was unable to achieve the growth rate forecast for the Year; (ii) almost all of the existing significant contracts and projects of the PRC Subsidiary had been completed in the Year, but no significant contracts or projects had been obtained by the PRC Subsidiary during the Year; (iii) the PRC Subsidiary failed to obtain any significant new contracts or projects from its Core Customers during the Year; and (iv) the market sentiment in the PRC was unfavourable to business activities in general at the material time. Given that the Adjustments, being the key inputs to the valuation of the VIU of the CGUs, have been made and adopted, the valuation of the VIU of the CGUs for the Year has correspondingly decreased as compared to that of last year.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly employee salaries, employee benefits and housing provident fund. The Group’s selling and distribution expenses from continuing operations maintained at a generally stable level and recorded approximately HK\$2,547,000 and approximately HK\$2,227,000 (restated) for the Year and last year respectively.



FINANCIAL REVIEW *(Continued)*

Continuing Operation *(Continued)*

General and Administrative Expenses

General and administrative expenses comprised mainly staff costs (including Directors' remuneration) in relation to the Group's administrative personnel, office expenses, depreciation of right-of-use assets, amortisation of intangible assets, travelling and other expenses. General and administrative expenses from continuing operations decreased from approximately HK\$32,919,000 (restated) last year to approximately HK\$30,038,000 for the Year, representing a decrease of approximately 9%. The lower general and administrative expenses from continuing operations for the Year were recorded mainly due to tightened cost controls implemented across various general and administrative expenditures throughout the Year.

Finance Costs

The Group's finance costs primarily represent interest expenses on bank borrowings. Finance costs from continuing operations decreased from approximately HK\$743,000 (restated) last year, to approximately HK\$204,000 for the Year, representing a decrease of approximately 73%, primarily due to a reduction in the Group's bank borrowings, resulting in a corresponding decrease in loan interest expenses throughout the Year.

Income tax credit

The Group recorded income tax credit from continuing operations in the amount of approximately HK\$10,298,000 (2022: approximately HK\$1,512,000 (restated)). The increase in income tax credit was mainly due to the decrease in deferred tax liabilities.

Loss for the Year

Loss attributable to the owners of the Company from continuing operations amounted to approximately HK\$103,123,000 for the Year as compared with a loss attributable to the owners of the Company from continuing operations amounted to approximately HK\$73,009,000 (restated) for last year. The increased in net loss reported by the Group was mainly arising from the decrease in turnover and gross profit, and also the impairment loss recognised in respect of goodwill and intangible assets for the Year.

Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks in Hong Kong and the PRC.

The Group has maintained its funds at a sound and healthy financial resource level. The Group's net current assets and equity attributable to owners of the Company as of 30 June 2023 were approximately HK\$84,581,000 and approximately HK\$36,277,000 respectively (2022: approximately HK\$114,041,000 (restated) and approximately HK\$141,903,000 (restated)). As of 30 June 2023, net current assets included bank balances and cash totalling approximately HK\$98,109,000 (2022: approximately HK\$111,639,000 (restated)).



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Continuing Operation *(Continued)*

Liquidity and Financial Resources *(Continued)*

The Group's outstanding bank borrowings as of 30 June 2023 amounted to approximately HK\$1,367,000 (2022: approximately HK\$5,873,000 (restated)), with a great decrease of approximately 77% as compared with that of last year.

The Group has maintained a healthy balance sheet with net cash and bank balances (total cash and bank balances less total bank borrowings) of approximately HK\$96,742,000 (2022: approximately HK\$105,766,000 (restated)) as of 30 June 2023.

The current ratio, being the ratio of current assets to current liabilities, was approximately 5.05 times as of 30 June 2023 (2022: approximately 4.83 times).

The Group continued to maintain a healthy financial and cash position. The Company did not carry out any fund raising activities by issuing new shares of the Company during the Year.

Pledge of Group's assets

The Group did not have any charge on assets for the Year (2022: Nil).

Share Capital and Capital Structure of the Company

As at 30 June 2023, the Company had 1,326,701,739 ordinary shares of HK\$0.10 each in issue (2022: 1,326,701,739 Shares).

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group based on total liabilities over total assets was approximately 21% (2022: approximately 17%).

Foreign Exchange Exposure

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars and Renminbi. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The Group regularly reviews the balances of assets and liabilities and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign currency risk. During the Year, no financial instruments had been used for hedging purpose. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at an acceptable level.



BUSINESS REVIEW

During the first half of the Year due to the 2019 novel coronavirus disease (the “**COVID-19**”) pandemic, the implementation of strict lockdown measures and anti-pandemic policies in the PRC had a discouraging effect on business activities of the Group, thereby adversely affecting the operation and development of the Group. In the latter half of the Year, the global economy continued to decline, posing significant challenges to the PRC’s economy. These factors brought a negative impact on the overall market sentiment and the Group’s financial performance of the Year was adversely affected.

Group’s brand products

There was no segment revenue generated from the Group’s brand products during the Year and the last year. The segment’s loss in the Group’s brand products was reduced to approximately HK\$801,000, compared to that of approximately HK\$3,307,000 (restated) last year.

Other brand products

The segment revenue and segment loss from other brand products was approximately HK\$105,000 and approximately HK\$27,000 respectively for the Year (2022: no segment revenue and segment loss). Going forward, the Group will allocate more resources to develop this business segment and actively seek out new customers to achieve business growth. The Group aims to strengthen its market position and realize the long-term potential in this segment. Beyond top-line growth, the Group also aims to improve profitability levels to deliver sound financial performance.

Money Lending Service

As disclosed in the announcement of the Company dated 9 September 2022, having considered (i) the Group being exposed to greater credit risk under the adverse economic environment; (ii) all loan receivables as of 30 June 2022 having been fully settled; and (iii) opportunities for other more profitable businesses, the Board has decided not to renew the money lending licence, which expired on 29 September 2022, and has resolved to discontinue the money lending service segment.

Trading business

During the Year, the revenue from this segment increased significantly and a certain number of orders from customers were obtained. The segment revenue and segment profits from trading business was approximately HK\$35,568,000 and approximately HK\$274,000 respectively for the Year (2022: no segment revenue and segment loss of HK\$16,000 (restated)). In response to the ongoing volatility and uncertainty in global plastic materials prices, the Group will take a more conservative and cautious approach to operate this business segment in the coming year. The Group will also selectively seek out new customers where opportunities present minimal risk.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Computer software and hardware and system development service

The COVID-19 pandemic affected the performance of the computer software and hardware and system development service segment. As mentioned in the annual report of the Company for the year ended 30 June 2022, in view of the poor economic sentiments in the PRC, which is the Group's major market, customers of the Group remain to be very conservative in their software development. They are only willing to allocate a limited budget for maintaining their normal operation and are reluctant to commence new projects or upgrade their software system. Thus, the opportunities to obtain new contracts were significantly reduced. Except those necessary maintenance contracts, customers have less motivation to commence new program, upgrade existing system or acquire new hardware.

In view of the business conditions referred to above under paragraph headed "Impairment Loss on Goodwill and Intangible Assets – Customer Relationship – (a) Details of the underlying reasons for, or the events and circumstances leading to the recognition of the Impairment Loss A and Impairment Loss B", business in the computer software and hardware and system development service segment slowed down and was unable to achieve the growth rate forecast for the Year. Based on the valuation carried out by an independent professional valuer, the recoverable amount of this segment has been adjusted, resulting in the need to recognize impairment loss on goodwill and intangible assets generated by this segment for the Year.

For the Year, the computer software and hardware and system development service segment's revenue was approximately HK\$11,320,000, representing an approximate 78% decrease compared to approximately HK\$51,776,000 (restated) last year. As a result, a segment loss increased from approximately HK\$58,516,000 (restated) last year to approximately HK\$98,266,000 for the Year, representing an increase of approximately 68%. The segment loss for the Year mainly represents the net effect of loss arising from this segment of approximately HK\$10,504,000 (2022: approximately HK\$3,035,000 (restated)) and other loss arising from business combination including amortization of intangible assets of approximately HK\$11,466,000 (2022: approximately HK\$11,490,000 (restated)), recognition of impairment loss on goodwill of approximately HK\$18,289,000 (2022: approximately HK\$43,991,000 (restated)) and recognition of impairment loss on intangible assets of approximately HK\$58,007,000 (2022: Nil). For detailed information regarding the impairment loss on goodwill and intangible assets, please refer to the paragraph headed "Impairment Loss on Goodwill and Intangible Assets – Customer Relationship" under the section headed "Management Discussion and Analysis – Financial Review".



BUSINESS OUTLOOK

Although COVID-19 has passed, geopolitical conflicts and tensions, the global interest rate environment, and the unpredictable post-pandemic recovery in the PRC's economies will continue to cause uncertainties and external headwinds for the Group's businesses.

Looking ahead, despite the gradual easing of trade frictions between the United States of America and the PRC, the impact of inflation, politicization of trade and technology mechanisms, and other factors should not be overlooked. The global economy recovery is slow and still facing considerable downside risks. The international environment remains complex, and pressure from contracting domestic demand, shock on supply chain and weakening expectations are still emerging.

The Group will stay tuned to the development of various businesses, industrial and market changes, maintain prudent operating practices and seize development opportunities by seeking potential partners which can assist the Group to grow and develop in different areas.

In the coming year, giving the poor market sentiment, the management is not optimistic on the prospect of the computer software and hardware and system development service segment. Taking into consideration the ample political and economical uncertainties, the Group will run the business in a prudent way in the coming year. The management will tend to utilize the cash resources on hand for the expansion of the Group's business of sales of other brand products and trading business.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND/OR DISPOSALS

There was no significant investment held by the Group, nor were there any material acquisitions and/or disposals of subsidiaries, associates and joint ventures during the Year.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2023, the Group did not have any plan for material investments or capital assets in the coming year.

EMPLOYEES AND REMUNERATION POLICY

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions, individual performance, qualification, experience and the remuneration policies, which are reviewed on a regular basis. As at 30 June 2023, the Group had 26 employees, including 1 executive Director and 3 independent non-executive Directors, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff costs, including Directors' emoluments, were approximately HK\$22,230,000 for the Year as compared with that of approximately HK\$30,621,000 (restated) last year.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group had no material capital commitment and contingent liabilities as at 30 June 2023 (2022: Nil).



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

BOARD OF DIRECTORS

Executive Director

Mr. Zhang Sanhuo (“**Mr. Zhang**”), aged 57, joined the Company on 8 June 2017 and is now an executive Director, the chairman (the “**Chairman**”) and chief executive officer (the “**Chief Executive Officer**”) of the Company, the chairman of the nomination committee (the “**Nomination Committee**”) and a member of the remuneration committee (the “**Remuneration Committee**”) of the Company. He is responsible for overall strategic planning and formulation of corporate strategy of the Company.

Mr. Zhang graduated from 山西財經大學 (Shanxi University of Finance and Economics) with a bachelor's degree in accounting and obtained a master's degree in business administration from 長江商學院 (Cheung Kong Graduate School of Business*). He has over 20 years of experience in corporate management in mining, investment, finance and other industries.

Save for abovementioned, Mr. Zhang is also an executive director of Green Leader Holdings Group Limited (“**Green Leader**”), the shares of which are listed on the Main Board (stock code: 61) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Independent Non-executive Directors

Mr. So Stephen Hon Cheung (“**Mr. So**”), aged 67, was appointed as an independent non-executive Director on 13 September 2002. He is the chairman of the audit committee (the “**Audit Committee**”) of the Company and the Remuneration Committee and a member of the Nomination Committee. Mr. So is a director of the accounting firm T.M Ho, So & Leung CPA Limited, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor's degree in commerce from the University of British Columbia, Canada and was a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong of the PRC. He has extensive experience in the commercial sector of manufacturing, wholesale and trading and in public practice working for various companies in Hong Kong, the PRC and Canada.

Mr. So is an independent non-executive director of YGM Trading Limited (stock code: 375) and Yangtzekiang Garment Limited (stock code: 294) since 20 September 2017, the shares of both companies are listed on the Main Board of the Stock Exchange. From May 2015 to November 2022, Mr. So was the independent non-executive director of Pinestone Capital Limited (stock code: 804), the shares of which are listed on the Main Board of the Stock Exchange. From March 2000 to December 2014, Mr. So was an independent non-executive director of Skyworth Group Limited (stock code: 751) and from April 2011 to February 2017, Mr. So was an independent non-executive director of Milan Station Holdings Limited (stock code: 1150), the shares of both companies are listed on the Main Board of the Stock Exchange. From August 2017 to June 2019, Mr. So was also an independent non-executive director of Teamway International Group Holdings Limited (stock code: 1239), the shares of which are listed on the Main Board of the Stock Exchange.

* For identification purpose only



BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Mr. Zhou Chunsheng (“**Mr. Zhou**”), aged 57, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the Audit Committee, Nomination Committee and Remuneration Committee. Mr. Zhou is currently a professor-in-residence of 長江商學院 (Cheung Kong Graduate School of Business*). He was an assistant dean, director of the executive education program and a professor of finance of 光華管理學院 (Guanghua School of Management) of 北京大學 (Peking University). He is a distinguished economist and a winner of the National Excellent Young Researcher Grant. He was an honorary professor at the University of Hong Kong, a visiting professor at the City University of Hong Kong and a member of the 1st and 2nd Listing Committee of the Shenzhen Stock Exchange. Mr. Zhou obtained a master’s degree in mathematics from Peking University and a doctoral degree in economics (finance) from Princeton University in the United States. From 1994 to 1995, he was awarded an honorary doctoral scholarship excellence (Harold Dodds Fellowship) from Princeton University. During 1997 to 2001, Mr. Zhou worked for the University of California and the school of business of the University of Hong Kong. From April 2001 to December 2001, at the invitation of China Securities Regulatory Commission (“**CSRC**”), Mr. Zhou acted as a member (deputy level) of the planning and development committee of CSRC. He also became the head of the finance department of 光華管理學院 (Guanghua School of Management). Mr. Zhou is an expert in analyzing financial investment, securities markets, capital operation and financial derivatives.

Mr. Zhou is currently an independent non-executive director of Central New Energy Holding Group Limited (stock code: 1735), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Zhou was an independent director of Kunwu Jiuding Investment Holdings Co., Limited (“**Kunwu Holdings**”) (a company listed on the Shanghai Stock Exchange) (stock code: 600053) from July 2017 to January 2022 and the director of Nanda Automation Technology Jiangsu Co., Ltd (a company which was delisted from The National Equities Exchange and Quotations System Co., Ltd with stock code: 834876) from January 2011 to May 2022. He was also an independent non-executive director of each of China Information Technology Development Limited (stock code: 8178), the shares of which are listed on GEM of the Stock Exchange, from September 2007 to June 2011, Zhuguang Holdings Group Limited (stock code: 1176), the shares of which are listed on the Main Board of the Stock Exchange, from October 2009 to October 2011, China ITS (Holdings) Co., Ltd. (stock code: 1900), the shares of which are listed on the Main Board of the Stock Exchange, from September 2008 to June 2018 and Green Leader (stock code: 61), the shares of which are listed on the Main Board of the Stock Exchange, from June 2013 to August 2019. Mr. Zhou was also an independent non-executive director of Zhonghong Holdings Co., Limited (“**Zhonghong Holdings**”) (a company delisted on the Shenzhen Stock Exchange) (stock code: 000979), from May 2008 to April 2020. He was also an independent non-executive director of Guosheng Financial Holding Inc. (stock code: 002670) and Transfar Zhilian Co., Ltd. (stock code: 002010), the shares of both companies are listed on the Shenzhen Stock Exchange, from July 2015 to April 2020 and from June 2015 to May 2020, respectively.

* For identification purpose only



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

As confirmed by Mr. Zhou as an independent non-executive director of Zhonghong Holdings, Zhonghong Holdings received an Investigation Notice (調查通知書) from the CSRC on 14 August 2018 that the financial reports of Zhonghong Holdings in 2017 were alleged to contain certain false information. Pursuant to the relevant requirements of the Securities Law of the PRC, investigation had been carried out by the CSRC in respect of the allegation. A decision of administrative punishment (行政處罰決定書) and a decision on prohibition from access to market (市場禁入決定書) were issued by the CSRC in December 2019 and Mr. Zhou was given a warning and was fined RMB30,000. A decision on disciplinary actions against Zhonghong Holdings and parties concerned (關於對中弘控股股份有限公司及相關當事人給予紀律處分的決定) (the “**SZSE Decision**”) was issued by the Shenzhen Stock Exchange on 4 September 2018.

Pursuant to the SZSE Decision, the Shenzhen Stock Exchange imposed (i) a public sanction on Zhonghong Holdings; (ii) a public sanction on each of the then actual controller, chairman of the board of directors, and director and chief financial officer of Zhonghong Holdings; and (iii) a notice of criticism on certain then directors and supervisors of Zhonghong Holdings, in which Mr. Zhou was not involved. To the best knowledge, information and belief of the Board, Mr. Zhou was not involved in the day-to-day management of Zhonghong Holdings at the material time, and, save as disclosed above, Mr. Zhou has not been subject to any sanction, administrative penalty or criticism by the Shenzhen Stock Exchange and the CSRC. For further details, please refer to the announcement of the Company dated 23 October 2019.

An announcement was made by Kunwu Holdings on 25 September 2021 in relation to, among other things, the receipt of a decision on administrative supervision measures (中國證券監督管理委員會江西監管局行政監管措施決定書) (the “**Decision**”) from Jiangxi Regulatory Bureau of CSRC by Kunwu Holdings and the secretary to the board of directors of Kunwu Holdings.

Pursuant to the Decision, investigations had been carried out and there was an incident of irregularity (the “**Incident**”) on the part of Kunwu Holdings.

To the Directors' best knowledge, information and belief, Mr. Zhou is not involved in the day-to-day management of Kunwu Holdings, and has not been subject to any sanction, administrative penalty or criticism by the CSRC and the Shanghai Stock Exchange. For further details, please refer to the announcement of the Company dated 7 October 2021.

Mr. Tian Hong (“**Mr. Tian**”), aged 58, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the Audit Committee, Nomination Committee and Remuneration Committee. Mr. Tian has been the chief investment advisor of 至正實業有限公司 (Windus Enterprises Inc.*) since 2016. Mr. Tian obtained a master's degree in business administration from 山西財經大學 (Shanxi University of Finance and Economics) in 2009 and qualified as senior economist of The Bank of China in 1998. Mr. Tian worked for Industrial and Commercial Bank of China from 1984 to 1989. From 1990 to 2015, Mr. Tian worked for The Bank of China as operation deputy president, president, department head, and other senior management positions in charge of corporate finance, retail finance, investment banking, financial market and other core banking businesses.

Mr. Tian is also an independent non-executive director of Green Leader since 10 August 2020, the shares of which are listed on the Main Board (stock code: 61) of the Stock Exchange.

* For identification purpose only



COMPANY SECRETARY

Mr. Chan Cheuk Ho (“**Mr. Chan**”), aged 56, joined the Company on 8 June 2017 as an executive Director and was appointed as the company secretary of the Company on 4 July 2017. Mr. Chan has resigned as an executive Director with effect from 31 May 2022.

Mr. Chan obtained a bachelor’s degree in business administration from the Chinese University of Hong Kong in 1989 and a master’s degree in business administration from the University of Manchester in 2003. Mr. Chan has been a fellow member of the Hong Kong Institute of Certified Public Accountants since 2003.



CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtain and maintain the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. Save for code provisions C.2.1 and B.2.2 of the CG Code, the Company has fully complied with the CG Code during the Year.

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Mr. Zhang Sanhuo is the chairman (the “**Chairman**”) of the Board and the chief executive officer (the “**Chief Executive Officer**”) of the Company, his appointment as both the Chairman and Chief Executive Officer deviates from code provision C.2.1 of the CG Code. The positions of the Chairman and Chief Executive Officer are held by Mr. Zhang Sanhuo who has extensive knowledge about the management. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of the Shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

All Directors, including the independent non-executive Directors, are appointed for a fixed term of two years. Under code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under bye-laws 111 and 114 of the Company (the “**Bye-laws**”), one-third of the Directors, with the exception of Chairman or deputy Chairman, managing Director or joint managing Director, are subject to retirement by rotation and re-election at annual general meeting of the Company. New Directors appointed by the Board to fill a casual vacancy or as an additional Director during any year are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments. Notwithstanding the provisions of the Bye-laws, the Company intends to comply with the code provision B.2.2 of the CG Code by way of having one-third of all the Directors, including those appointed for a specific term, subject to retirement by rotation at each annual general meeting at least once every three years.



1. BOARD OF DIRECTORS

The Board comprises the following Directors:

Executive Director:

Mr. Zhang Sanhuo (*Chairman and Chief Executive Officer*)

Independent Non-executive Directors:

Mr. So Stephen Hon Cheung

Mr. Zhou Chunsheng

Mr. Tian Hong

The biographical information of the Directors is set out in the section headed “Directors’ and Senior Management’s Biographies” on pages 14 to 17 of this annual report.

There is no relationship (including financial, business, family or other materials/relevant relationship(s)) between the Board members.

Attendance Record of Directors and Committee Members

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

Name of Director	Number of meetings attended/total number of meetings held				2022 Annual General Meeting
	Board	Remuneration Committee	Audit Committee	Nomination Committee	
<i>Executive Director</i>					
Mr. Zhang Sanhuo	9/9	1/1	–	1/1	1/1
<i>Independent non-executive Directors</i>					
Mr. So Stephen Hon Cheung	9/9	1/1	2/2	1/1	1/1
Mr. Zhou Chunsheng	9/9	1/1	2/2	1/1	1/1
Mr. Tian Hong	9/9	1/1	2/2	1/1	1/1

Apart from regular Board meetings, the Chairman also held a meeting with all the non-executive Directors (including independent non-executive Directors) without the presence of any other executive Director during the Year.



CORPORATE GOVERNANCE REPORT

1. BOARD OF DIRECTORS *(Continued)*

a. Chairman and Chief Executive Officer

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Mr. Zhang Sanhuo is the Chairman and the Chief Executive Officer of the Company with effect from 3 January 2018, it constituted a deviation from code provision C.2.1 of the CG Code since 3 January 2018. The positions of the Chairman and Chief Executive Officer are held by Mr. Zhang Sanhuo who has extensive knowledge about the management. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of the Shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

b. Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Mr. So has served as an independent non-executive Director for more than nine years. Pursuant to code provision B.2.3 of the CG Code, his further appointment shall be subject to a separate resolution to be approved by the Shareholders. The Board considered that Mr. So has exercised judgment in the best interest of the Company when discharging his duties as an independent non-executive Director. Despite the length of his service, there is no evidence that the independence of Mr. So, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. Mr. So has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is therefore satisfied that Mr. So meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Company considers that all independent non-executive Directors are independent.



1. BOARD OF DIRECTORS *(Continued)*

c. **Company Secretary**

The company secretary (the “**Company Secretary**”) of the Company reports to the Chairman and is responsible for advising the Board on corporate governance matters. During the Year, the Company Secretary had complied with the professional training requirements under the Rule 3.29 of the Listing Rules.

d. **Appointment, Re-election and Removal of Directors**

A Director may be appointed either by the Shareholders in a general meeting or by the Board upon the recommendation from the Nomination Committee. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment in appointment of new Directors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

During the Year, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of a sufficient number of independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

All Directors, including the independent non-executive Directors, are appointed for a fixed term of two years. Under code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under Bye-laws 111 and 114, one-third of the Directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, are subject to retirement by rotation and re-election at annual general meeting of the Company. New Directors appointed by the Board to fill a casual vacancy during any year are required to retire and submit themselves for election at the first general meeting immediately following their appointments. Notwithstanding the provisions of the Bye-laws, the Company intends to comply with the code provision B.2.2 of the CG Code by way of having one-third of all the Directors, including those appointed for a specific term, subject to retirement by rotation at each annual general meeting at least once every three years.



CORPORATE GOVERNANCE REPORT

1. BOARD OF DIRECTORS *(Continued)*

e. Distinctive Roles of the Board and the Management

The Board is collectively responsible for long-term success of the Group and interests of Shareholders. Under the leadership of the Chairman, the Board proactively promotes the success of the Group by directing and supervising its affairs in a responsible and effective manner. The principal responsibilities of the Board include the following:

- (i) formulation of the Group's mission, vision and core values and promotion of the Group's corporate culture;
- (ii) formulation, updating and refining of the Group's strategy and business objectives;
- (iii) review and approval of the Group's business plan, major acquisitions and disposals; and
- (iv) review of the policies and monitoring the implementations in relation to corporate governance, internal controls, risk management and sustainability practices.

The executive Director is involved in the day-to-day operations of the Group's businesses and together with the members of the Company's senior management, ensures that the management is accountable to the Board, and ultimately to the Shareholders. The principal responsibilities of the senior management include the following:

- (i) running of day-to-day management of the Group's businesses operation;
- (ii) implementation of the Group's business plans and strategies;
- (iii) design, implementation and maintenance of appropriate and effective risk management and internal control systems; and
- (iv) monitoring and assessment of the performance of each business team of the Group.



1. BOARD OF DIRECTORS *(Continued)*

f. Delegation by the Board

While at all times the Board retains full responsibility for guiding and monitoring the management and operations of the Group, in discharging its duties, certain responsibilities are delegated to:

- (i) the standing Board committees of the Company namely: the Audit Committee, the Nomination Committee and the Remuneration Committee. Each Board committee's constitution, powers and duties are clearly defined by its terms of reference, and the Board committees are accountable to the Board;
- (ii) the Chief Executive Officer, being delegated with the day-to-day management of the businesses of the Group, is accountable to the Board; and
- (iii) the senior management team of the Group, being delegated with the responsibilities to deal with daily operational functions, is answerable to the Board.

The Board regularly reviews its arrangement for delegation of authority to ensure that such delegation is appropriate in view of the Group's prevailing circumstances and that appropriate reporting systems are in place.

g. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which includes:

- (i) formulating and reviewing the Group's policies and practices on corporate governance;
- (ii) reviewing and monitoring the training and continuous professional development of the Directors and the senior management;
- (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;
- (iv) formulating, reviewing and monitoring the code of conduct, guidelines and compliance manual applicable to employees and Directors; and
- (v) reviewing the Group's compliance with the CG Code and disclosures in this corporate governance report.

The Board has delegated its responsibilities of performing corporate governance duties to the Audit Committee. The Audit Committee reviews the Group's policies and practices on corporate governance, reports and makes recommendations to the Board regarding matters set out in the code provisions.



CORPORATE GOVERNANCE REPORT

1. BOARD OF DIRECTORS *(Continued)*

h. Board Diversity

Pursuant to the CG Code, the Board has adopted a board diversity policy which was revised in June 2023 (the “**Board Diversity Policy**”). The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will discuss annually for achieving diversity from a number of aspects, including but not limited to gender, age, ethnicity, skills, cultural and educational background, professional experience and knowledge. The Nomination Committee will also conduct a review of the policy periodically which will include an assessment of the effectiveness of the policy and recommend any proposed changes to rectify identified deficiencies for the approval by the Board. The Board has reviewed the implementation and effectiveness of the Board Diversity Policy for the Year and considered it to be effective.

i. Gender Diversity

The Company aims to avoid a single gender Board and will review the gender diversity of the Board from time to time in accordance with the business development of the Group. The Company believes the gender diversity of the Board would enhance the business development of the Group and bring more inspiration to the Board, hence gender diversity is one of the essential factors for the Company to select suitable candidate as a Director. As at the date of this corporate governance report, the Board currently has no female Director. The Board would continue to take initiatives to identify suitable candidates so as to appoint at least one female Director on the Board no later than 31 December 2024.

The gender ratio in the workforce of the Group (including senior management) for the Year was approximately 77% male and approximately 23% female. The Group encourages gender diversity across its workplace. To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered.



1. BOARD OF DIRECTORS *(Continued)*

j. Board Independence

The Company has established mechanisms to ensure independent views and input are available to the Board and conducted review of such mechanisms on an annual basis. All Directors are entitled to seek, at the Company's expense, independent professional advice reasonably necessary for discharging their duties as Directors.

The Nomination Committee annually assesses the independence of independent non-executive Directors during their term of services. The Company received from each of the independent non-executive Directors a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations and the opinion of the Nomination Committee, the Company considers that all independent non-executive Directors continue to demonstrate strong independence and all remain independent.

The Board has reviewed the implementation and effectiveness of the mechanisms and considered them to be effective for the Year.

k. Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against the Directors and officers of the Company.

l. Continuous Professional Development

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for the Directors will be arranged where necessary.

Directors are requested to provide the Company with their respective training record pursuant to code provision C.1.4 of the CG Code. According to the records maintained by the Company, during the Year, each of the Directors namely, Mr. Zhang Sanhuo, Mr. So Stephen Hon Cheung, Mr. Zhou Chunsheng and Mr. Tian Hong participated in continuous professional development by (i) attending external seminars, training courses, conferences and programs; or (ii) reading relevant materials and updates, relating to corporate governance practices, directors' duties, Listing Rules, relevant laws and regulations, and business development of the IT industry. The Company Secretary has taken not less than 15 hours of relevant professional training.



CORPORATE GOVERNANCE REPORT

1. BOARD OF DIRECTORS *(Continued)*

m. Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the Year.

Pursuant to paragraph A.3 of Appendix 10 to the Listing Rules, the Directors are prohibited from dealing in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results.

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees (the "**Employees Written Guidelines**") who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Board.

2. BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the respective websites of the Company and the Stock Exchange and are available to the Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

a. Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely, Mr. So Stephen Hon Cheung (chairman of the committee), Mr. Zhou Chunsheng and Mr. Tian Hong.

The Audit Committee was established with written terms of reference that sets out the authorities and duties of the Audit Committee adopted by the Board. The functions of risk management, internal control and corporate governance were adopted into the terms of reference of Audit Committee in compliance with the Listing Rules.



2. BOARD COMMITTEES *(Continued)*

a. Audit Committee *(Continued)*

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures, risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee held two meetings to review the annual financial results and report in respect of the Year, the interim results and report for the six months ended 31 December 2022 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, effectiveness of the internal audit function, scope of work and appointment of external auditor, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee also met with the Company's auditors twice during the Year for the purpose of reviewing the Company's financial reports and accounts.

b. Remuneration Committee

The Remuneration Committee consists of one executive Director, namely Mr. Zhang Sanhuo and three independent non-executive Directors, namely, Mr. So Stephen Hon Cheung (chairman of the committee), Mr. Zhou Chunsheng and Mr. Tian Hong.

The main functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration; and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Year, the Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Director and senior management and other related matters.

Details of the remuneration of each Director for the Year are set out in Note 12 to the financial statements.



CORPORATE GOVERNANCE REPORT

2. BOARD COMMITTEES *(Continued)*

c. **Nomination Committee**

The Nomination Committee consists of one executive Director, namely Mr. Zhang Sanhuo (chairman of the committee) and three independent non-executive Directors, namely, Mr. So Stephen Hon Cheung, Mr. Zhou Chunsheng and Mr. Tian Hong.

The main duties of the Nomination Committee include reviewing the Board's composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

During the Year, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for re-election at the relevant annual general meeting. Additional meetings may be held as and when required.

3. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

a. **Financial Reporting**

The Board is responsible for the preparation of the financial statements with the assistance of the accounting team in accordance with statutory requirements and appropriate financial reporting standards for each financial period, which shall give a true and fair view of the consolidated financial position of the Group and of the consolidated financial performance and cash flows for such financial period. During the Year under review, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Group on a going concern basis. All the Directors acknowledged their responsibility for preparing the financial statements of the Company for the Year.

The statement of the external auditor of the Company about the auditor's reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 51 of this annual report.

b. **Risk Management and Internal Control**

The Board has overall responsibility for the system of risk management and internal control of the Company and for reviewing its effectiveness through the Audit Committee. Such system is aimed at providing reasonable but not absolute assurance against material misstatement, loss or fraud. The Board has delegated to the management the design, implementation and ongoing assessment of such internal control systems, while the Board through the Audit Committee oversees and reviews the adequacy and effectiveness of relevant internal controls and risk management procedures that have been in place.



3. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

b. Risk Management and Internal Control *(Continued)*

The Board is committed to the management, identification and monitoring of risks (including risks related to environmental, social and governance) associated with its business activities and has implemented an effective and sound risk management and internal controls systems to manage the risk associated with its businesses and operations. The systems comprise the following phases:

- (i) Identification: identify sources of risks, business objectives and risks that could affect the achievement of objectives
- (ii) Evaluation: analyse and evaluate the likelihood and impact of risks
- (iii) Management: consider the risk responses and ensure effective communication to the Board and ongoing monitoring of the residual risks

The Group has established comprehensive policies, procedures and measures in areas of operational, financial, compliance and risk controls, which are updated or reviewed on a regular and timely basis, including the following:

(i) **Inside Information Policy**

Inside information policy of the Company has been formulated to regulate the handling and dissemination of inside information in order to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The procedures regulate the handling and dissemination of inside information including:

- designated reporting channels for reporting potential inside information;
- restriction on access of information;
- signing of confidentiality agreements when necessary; and
- close monitoring of potential inside information by the management and proper disclosure made timely to ensure compliance with the Listing Rules when necessary.



CORPORATE GOVERNANCE REPORT

3. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

b. Risk Management and Internal Control *(Continued)*

(ii) Whistleblowing Policy

Whistleblowing policy of the Company has been formulated for the Group's employees and business partners to report any suspected or actual improprieties. An email account has been set up for this specific purpose. The Audit Committee will investigate the reported cases in a confidential and timely manner and report the results of investigations with appropriate follow-up action to the Board.

(iii) Anti-Corruption Policy

Anti-corruption policy of the Company has been formulated to safeguard against corruption and bribery. The Group has established reporting channels that are open and available for employees and business partners of the Group to report any suspected corruption and bribery. The Audit Committee is responsible for investigating the reported incidents and taking appropriate measures.

(iv) Regular Reports and Meetings

Monthly management and financial reports of the Group's business teams are prepared for the Board's review. Executive Director holds periodic meetings with senior finance and operational management teams to review and discuss the business performance, and to address deficiencies of any key issues on a timely basis.

(v) Operation/Compliance Guidelines

All major operations are governed by standard operating procedures/compliance manuals with authorization matrix and supplemented by written policies and procedures tailored to the respective business units and support functions.

Review and assessment of risk management and internal control systems during the year under review were performed by:

(i) Management

The management, responsible for the design, implementation and ongoing assessment of risk management and internal control systems, reported and confirmed to the Board and the Audit Committee on the effectiveness of such systems. The Board through the management had conducted an annual review of the risk management and internal control systems of the Group under the code provision D.2.1 of the CG Code.

(ii) Audit Committee

The Audit Committee reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, under the code provision D.2.2 of the CG Code.



3. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

b. Risk Management and Internal Control *(Continued)*

(iii) External Auditor

The Group's external auditor performs independent statutory audits of the Group's consolidated financial statements. The external auditor also reports to the Audit Committee any significant weaknesses in the Group's internal control, if any, identified during the course of the audit. No significant weaknesses in the Group's internal control systems were reported from the external auditor.

Based on the reports prepared by management, and also taking into account the results of the audit conducted by the external auditors, the Audit Committee and the Board considered that for the year under review:

- (i) the risk management, internal controls and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;
- (ii) the risk management and internal controls systems of the Group have been effectively implemented;
- (iii) there is an effective on-going process in place for identifying, evaluating and managing significant potential risks faced by the Group; and
- (iv) the resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting and internal audit functions, as well as environmental, social and governance performance and reporting, are adequate.

c. Auditor's Remuneration

The fees paid/payable to the external auditors for audit and non-audit services for the Year (and the comparative figures for the year ended 30 June 2022) are as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated) [#]
Audit services	960	1,260
Non-audit services	–	–
– Tax services for the Group		
– Agreed upon on procedures on Group's annual results announcement		
	960	1,260

[#] The amounts are restated to reflect the change of presentation currency as detailed in Note 1 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

4. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings are voted by poll pursuant to the Listing Rules and poll results are posted on the respective websites of the Company and the Stock Exchange after each Shareholders' meeting.

a. Convening a Special General Meeting by Shareholders

- (i) Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may by written requisition deposit at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board, to require a special general meeting to be called by the Board.
- (ii) The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s) and may consist of several documents in like form, each signed by one or more requisitionist(s).
- (iii) The signature(s) and the requisition will be verified by the Company's share registrars. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.
- (iv) If the Board does not within 21 days from the date of the deposit of a valid requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

b. Putting Forward Proposals at General Meetings

- (i) On the requisition in writing of (a) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (b) not less than 100 Shareholders, the Company shall be under a duty to:
 - (1) give to the Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and



4. SHAREHOLDERS' RIGHTS *(Continued)*

b. Putting Forward Proposals at General Meetings *(Continued)*

- (2) circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.
- (ii) The requisition must be signed by the requisitionists and deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board and
 - (1) in the case of requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting.
 - (2) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.
- (iii) The signatures and the requisition will be verified by the Company's share registrars. Upon confirming that the requisition is proper and in order, notice of any such intended resolution shall be given, and any such statement shall be circulated, to the Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each of such Shareholders in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholders by giving notice of the general effect of the resolution in any manner permitted for giving him/her/it notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given.

c. Putting Forward Enquiries to the Board

The Shareholders may send their enquiries and concerns to the Board by addressing them to the investor relations manager and deposit at the Company's principal place of business in Hong Kong or by e-mail to info@1079.hk.

Note: The Company will not normally deal with verbal or anonymous enquiries.



CORPORATE GOVERNANCE REPORT

5. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

The Company endeavors to maintain a high level of transparency in communicating with the Shareholders and investors of the Company. The Company's policy of shareholder's communication is aiming at providing the Shareholders and potential investors of the Company with ready and timely access to balanced and understandable information of the Company.

The Board and the Company maintain an on-going dialogue with the Shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website.

The Shareholders should direct their questions about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong. The Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. The Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong.

6. CONSTITUTIONAL DOCUMENTS

During the Year, the Company has not made any changes to its Memorandum of Association and Bye-laws. The latest version of the Company's Memorandum of Association and Bye-laws are available on the respective websites of the Company and the Stock Exchange.



DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 31 to the consolidated financial statements.

FINANCIAL RESULTS

The results of the Group for the Year and the state of affairs of the Company and the Group as at 30 June 2023 are set out on pages 52 to 109 of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 110 of this annual report.

BUSINESS REVIEW

An analysis of the Group's performance for the Year by operating segment is set out in Note 6 to the consolidated financial statements.

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on page 4 and pages 5 to 13 of this annual report respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. Some of the major risks include:

- (i) the Group may not be able to sustain growth rate and profit margin similar to those we achieved in the past, or maintain the same cash flow position or financial performance in the future;
- (ii) the Group's business relies on successful tenders that determine the award of our projects contracts and is non-recurring in nature;
- (iii) the Group makes estimation of the project costs in the tenders and quotations and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses;
- (iv) the Group is exposed to customers' credit risks and the Group's liquidity position may be adversely affected if the customers fail to make payment on time or in full;
- (v) the Group's performance depends on trends and developments in the consumer electronics industry and computer software and system development industry in the PRC; and
- (vi) the Group's performance depends on market conditions and the general economic and political conditions in the PRC.

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

The Group is not aware of any other particular or essential event that has occurred which would trigger a risk and uncertainty as at 30 June 2023.

Certain financial risk and uncertainties are also set out in Note 5 to the consolidated financial statements in this annual report.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy with effect from 5 July 2019 (the “**Dividend Policy**”). The payment of dividend is subject to the compliance with related laws and regulations, including the laws of Bermuda, Company’s Bye-laws, the Listing Rules, and the financial reporting standards that the Group has adopted. The Board will continually review the Dividend Policy from time to time and reserves the right to amend or modify the Dividend Policy as and when the Board may deem necessary. There can be no assurance that dividends will be paid in any particular amount for any given period.

The Company intends to create long term value for the Shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements and capturing future growth opportunities. When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- the Group’s overall results of operation, financial condition, expected working capital requirements and capital expenditure requirements, liquidity position and future expansions plans;
- the amount of retained profits and distributable reserves of the Company;
- general economic conditions, business cycle of the Group’s business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems relevant.

Depending on the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as:

1. interim dividend;
2. final dividend;
3. special dividend; and
4. any distribution of net profits that the Board may deem appropriate.



DIVIDEND POLICY *(Continued)*

Any final dividend for a financial year will be subject to the Shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance to the Bye-laws.

The Company does not have any pre-determined dividend distribution ratio and the Company's dividend distribution record in the past, if any, may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in future. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

FINAL DIVIDEND

The Directors do not recommend a dividend for the Year (2022: Nil) pursuant to the Dividend Policy.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

As a responsible corporation, the Group is committed to maintaining higher environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The environmental, social and governance report conducted by an independent professional third party for the Year will be published separately on the website of the Company and the website of the Stock Exchange.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations in material respects that have a significant impact on the business and operation of the Group.

During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.



DIRECTORS' REPORT

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the Year, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

PERMITTED INDEMNITY PROVISION

The Bye-law 194 provides that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that this indemnity shall not extend to any matter incur or sustain through their own fraud or dishonesty. A Directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

DONATIONS

During the Year, the Group did not make any charitable donations (2022: Nil).

CONNECTED AND RELATED PARTY TRANSACTIONS

Save as disclosed in this annual report, during the Year, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the top five suppliers of the Group together accounted for approximately 76% of the Group's total purchases and the largest supplier accounted for approximately 41% of the Group's total purchases.

For the Year, the top five customers of the Group together accounted for approximately 87% of the Group's total sales and the largest customers accounted for approximately 61% of the Group's total sales.

None of the Directors, their respective close associates or any Shareholder who owns more than 5% of the issued share capital of the Company had any interests in the Group's five largest customers and suppliers during the Year.



SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the Company's share capital and share option schemes are set out in Notes 28 and 29 to the consolidated financial statements, respectively.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the Directors' knowledge as at the date of this report, the Company has maintained a sufficient public float throughout the Year and as at the date of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 56 of this annual report and the Company's reserves available for distribution to Shareholders as at 30 June 2023 were as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated) [#]
Contributed surplus	70,189	70,189
Accumulated losses	(590,543)	(482,179)
	(520,354)	(411,990)

[#] The amounts are restated to reflect the change of presentation currency as detailed in Note 1 to the consolidated financial statements.

Under the Companies Act 1981 at Bermuda (as amended), the contributed surplus account of a company is available for distribution.

However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EXERCISE OF CONVERSION OR SUBSCRIPTION RIGHTS

During the Year, there was no exercise of conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.



DIRECTORS' REPORT

CHANGE OF PRESENTATION CURRENCY

As disclosed in the announcement of the Company dated 31 August 2023, the Group has changed its presentation currency from USD to HKD for the preparation of the Group's consolidated financial statements for the Year. Having considered that the Company's shares are listed on the Stock Exchange and are traded in HKD, the Board believes that 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. As such, the Board believes that it is more appropriate to adopt HKD as its presentation currency for the consolidated financial statements of the Group.

DIRECTORS

The Directors during the Year and up to the latest practicable date prior to the issue of this annual report are:

Executive Director:

Mr. Zhang Sanhuo – *Chairman and Chief Executive Officer*

Independent Non-executive Directors:

Mr. So Stephen Hon Cheung

Mr. Zhou Chunsheng

Mr. Tian Hong

Bye-law 111 provides that one-third of the Directors, with the exception of Chairman, Deputy Chairman, Managing Director and Joint Managing Director, shall retire from office by rotation at each annual general meeting. In order to put in place good corporate governance practice, notwithstanding the provisions of the Company's Bye-laws, the Company intends to have one-third of all the Directors subject to retirement by rotation at each annual general meeting. At the forthcoming 2023 annual general meeting, each of Mr. So Stephen Hon Cheung and Mr. Tian Hong will retire from office and, being eligible, shall offer himself for re-election pursuant to Bye-law 111 as an executive Director and an independent non-executive Director, respectively.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are determined by the Board. The Remuneration Committee reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, having regard to the Company's operating results, individual performance and comparable market statistics.

As mentioned above, the Company has adopted a share option scheme as an incentive to the Directors and eligible employees.

Details of Directors' emolument and individuals with highest emoluments are set out in Note 12 to the consolidated financial statements.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and 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 required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Long positions: Ordinary shares of HK\$0.10 each (the "Share(s)") of the Company

Name of Director	Nature of Interest	Number of issued Shares held	Approximate percentage of the issued capital of the Company
Zhang Sanhuo	Interest of controlled corporation	454,163,680 (Note 1)	34.23%

Note:

- These underlying Shares are beneficially owned by and registered in the name of Sage Global Holdings Limited ("**Sage Global**"), which is a company incorporated in the British Virgin Islands and its entire issued share capital is wholly and beneficially owned by South Pearl Ventures Limited ("**South Pearl**"), and South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, an executive Director, Chairman and Chief Executive Officer of the Company.

Long positions in the underlying Shares:

Name of Director	Nature of Interest	Number of underlying Shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Sanhuo	Beneficial owner	16,860,000 (Note 1)	1.27%



DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Note:

1. These underlying Shares are held by Mr. Zhang Sanhuo, an executive Director, the Chairman and Chief Executive Officer, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK\$0.83 per Share and 10,860,000 Shares at an exercise price of HK\$0.46 per Share.

Save as disclosed above, as at 30 June 2023, none of the Directors or the Company's chief executive or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS SCHEME

Particulars of the Company's share option schemes are set out in Note 29 to the consolidated financial statements.

The Company's share option scheme (the "**Scheme**") was adopted pursuant to the ordinary resolution passed by the Shareholders on 22 November 2013 for the purpose of providing incentives or reward to the Directors, eligible employees or any person who have contributed or may contribute to the Group. The Scheme was amended pursuant to the ordinary resolution passed by the Shareholders on 15 November 2018 and the Directors considered that the amendment to the Scheme was in line with Rule 17.04(1) of the Listing Rules. Please refer to the circular of the Company dated 16 October 2018 and the announcement of the Company dated 15 November 2018 for further information in relation to the amendment to the Scheme. Unless otherwise cancelled or amended, the Scheme will expire on 21 November 2023.

Share options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per share option. A share option may be exercised in accordance with the terms of the Scheme at any time during the respective effective period of the Scheme to be notified by the Board which shall not be later than 10 years from the date of grant.



SHARE OPTIONS SCHEME *(Continued)*

As disclosed in the announcement of the Company dated 12 December 2018, there were 80,140,000 share options granted to certain grantees which included the Directors with an exercise price HK\$0.46 per share pursuant to the Scheme. The exercise price of HK\$0.46 per share was the highest of: (i) the closing price of HK\$0.45 per share as quoted in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of approximately HK\$0.46 per share as quoted in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.10 per share.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1 per cent of the Shares in issue.

The subscription price shall be determined by the Board at its absolute discretion, provided that it shall be not less than the highest of:

- (1) the closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the Offer Date, which must be a business day;
- (2) the average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five business days immediately preceding the offer date; and
- (3) the nominal value of a Share on the offer date.

On 28 November 2019, an ordinary resolution was duly passed by the Shareholders at an annual general meeting of the Company, approving, inter alia, the refreshment of the scheme mandate limit under the Share Option Scheme. Upon the refreshment of the scheme mandate limit, the Company may grant share options entitling holders thereof to subscribe for up to a maximum number of 132,670,173 Shares, representing approximately 10% of the number of issued Shares as at the date of the annual general meeting (the "**Refreshed Scheme Mandate Limit**"). Please refer to the circular of the Company dated 29 October 2019 and the announcement of the Company dated 28 November 2019 for further details of the refreshment of the scheme mandate limit.



DIRECTORS' REPORT

SHARE OPTIONS SCHEME (Continued)

Details of the share options outstanding under the Scheme as at 30 June 2023 entitling holders thereof to subscribe for the Shares in the Company are as follows:

Grantee	Position(s) held in the Company	Date of grant	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options					Balance as at 30 June 2023
						Balance as at 1 July 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	
Mr. Zhang Sanhuo	Chairman and Chief Executive Officer	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000	-	-	-	-	6,000,000
			12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	10,860,000	-	-	-	-	10,860,000
Sub-total						16,860,000	-	-	-	-	16,860,000
Mr. Chan Cheuk Ho	Employee (Note 1)	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000	-	-	-	-	6,000,000
			12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	13,260,000	-	-	-	-	13,260,000
Sub-total						19,260,000	-	-	-	-	19,260,000



SHARE OPTIONS SCHEME (Continued)

Grantee	Position(s) held in the Company	Date of grant	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options					Balance as at 30 June 2023
						Balance as at 1 July 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	
Other grantees	Consultants	12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	36,520,000	-	-	-	-	36,520,000
Grand total						72,640,000	-	-	-	-	72,640,000

Note:

- Mr. Chan Cheuk Ho has resigned as an executive Director with effect from 31 May 2022. Mr. Chan Cheuk Ho remains as the Company Secretary and authorised representative of the Company.

The total number of Shares available for issue under the Refreshed Scheme Mandate Limit of the Scheme is 132,670,173 representing approximately 10% of the Company's issued share capital as at the date of this annual report.

As at 1 July 2022, the Company had 132,670,173 share options available for grant under the Scheme and as at 30 June 2023, the Company had 132,670,173 share options available for grant under the Scheme.

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed under the Scheme during the Year.

During the Year, the Group has not recognised any share-based payment expense in the consolidated statement of profit or loss and other comprehensive income (30 June 2022: Nil).

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There was no transaction, arrangement or contract of significance, to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisting during or at the end of the Year.



DIRECTORS' REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and their respective associates had any competing interests which were required to be disclosed pursuant to Rules 8.10 (2)(b) and (c) of the Listing Rules during the Year.

CONTRACT OF SIGNIFICANCE

At no time during the Year had the Company or any of its subsidiaries entered into any contract of significance with the controlling Shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as the interests of certain Directors disclosed under the section headed "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures", according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the Directors are aware, as at 30 June 2023, the following persons or corporations (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name of substantial shareholder	Capacity	Number of issued shares held	Position	Approximate percentage of the issued share capital of the company
Sage Global	Beneficial owner	454,163,680 (Note 1)	Long	34.23%
South Pearl	Interest of controlled corporation	454,163,680 (Note 1)	Long	34.23%
Ms. Yang Taomei	Beneficial owner	260,000,000	Long	19.6%

Note:

1. Sage Global beneficially owns 454,163,680 Shares. Sage Global is wholly and beneficially owned by South Pearl. South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, an executive Director, the Chairman and Chief Executive Officer.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2023.



CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share options as set out in Note 29 to the consolidated financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the Company's independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements of the Group for the Year.

INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by ZHONGHUI ANDA CPA Limited, who will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited as auditor of the Company. The Company has not changed its external auditor in any of the preceding three years.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Directors are responsible for preparation of the consolidated financial statements which give a true and fair view in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about their responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.



DIRECTORS' REPORT

EVENTS AFTER THE REPORTING YEAR

Save as disclosed in this annual report, the Group did not have any other material event subsequent to the reporting year and up to the date of this report.

On behalf of the Board

Zhang Sanhuo

EXECUTIVE DIRECTOR & CHAIRMAN

Hong Kong, 28 September 2023



INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of PINE Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 52 to 109, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Goodwill and intangible assets

Refer to Note 17 and Note 18 to the consolidated financial statements.

The Group tested the amount of goodwill and intangible assets for impairment. This impairment test is significant to our audit because the impairment loss on goodwill and intangible assets of approximately HK\$18,289,000 and approximately HK\$58,007,000, respectively, charged to profit or loss during the year are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and communicating with the external valuer to discuss the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for goodwill and intangible assets are supported by the available evidence.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

<http://www.hkicpa.org.hk/en/standards-setting/standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Audit Engagement Director

Practising Certificate Number P05988

Hong Kong, 28 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	NOTES	2023 HK\$'000	2022 HK\$'000 (Restated) (Notes 1 and 10)
Continuing operations			
Revenue	6	46,993	51,776
Cost of sales		(48,261)	(47,321)
Gross (loss)/profit		(1,268)	4,455
Other income		605	484
Other gains and losses, net	7	(8,037)	(1,319)
Impairment loss on goodwill	17	(18,289)	(43,991)
Impairment loss on intangible assets	18	(58,007)	–
Selling and distribution expenses		(2,547)	(2,227)
General and administrative expenses		(30,038)	(32,919)
Operating loss		(117,581)	(75,517)
Finance costs	8	(204)	(743)
Loss before income tax		(117,785)	(76,260)
Income tax credit	9	10,298	1,512
Loss for the year from continuing operations		(107,487)	(74,748)
Discontinued operation	10		
(Loss)/profit for the year from discontinued operation		(102)	8,892
Loss for the year	11	(107,589)	(65,856)
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(2,256)	(978)
Foreign currency translation reserve reclassified to profit or loss upon dissolution of subsidiaries		–	105
Total other comprehensive expense for the year		(2,256)	(873)
Total comprehensive expense for the year		(109,845)	(66,729)

	NOTES	2023 HK\$'000	2022 HK\$'000 (Restated) (Notes 1 and 10)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– From continuing operations		(103,123)	(73,009)
– From discontinued operation		(102)	8,892
		(103,225)	(64,117)
Non-controlling interests			
– From continuing operations		(4,364)	(1,739)
		(107,589)	(65,856)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company			
– From continuing operations		(105,524)	(73,941)
– From discontinued operation		(102)	8,892
		(105,626)	(65,049)
Non-controlling interests			
– From continuing operations		(4,219)	(1,680)
		(109,845)	(66,729)
Loss per share from continuing and discontinued operations			
Basic and diluted (HK\$)	14	(0.078)	(0.048)
Loss per share from continuing operations			
Basic and diluted (HK\$)	14	(0.078)	(0.055)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	At 30 June 2023 HK\$'000	At 30 June 2022 HK\$'000 (Restated) (Note 1)	At 1 July 2021 HK\$'000 (Restated) (Note 1)
Non-current assets				
Property, plant and equipment	15	108	1,674	3,048
Right-of-use assets	16	1,474	674	2,203
Goodwill	17	–	18,289	62,280
Intangible assets	18	6	69,479	80,969
Rental deposits	19	537	–	723
		2,125	90,116	149,223
Current assets				
Inventories		19	–	–
Trade and other receivables	19	6,314	5,940	36,886
Loan receivables	20	–	19,003	82,204
Contract assets and contract costs	21	408	7,218	3,362
Tax recoverable		631	–	8
Bank balances and cash	22	98,109	111,639	37,315
		105,481	143,800	159,775
Current liabilities				
Trade and other payables	23	16,008	19,241	14,446
Contract liabilities	21	496	670	5,281
Loan from a director	24	286	1,703	–
Tax payable		2,566	1,563	2,722
Lease liabilities	25	1,023	709	1,560
Bank borrowings	26	521	5,873	6,874
		20,900	29,759	30,883
Net current assets		84,581	114,041	128,892
Total assets less current liabilities		86,706	204,157	278,115
Non-current liabilities				
Lease liabilities	25	476	–	709
Bank borrowings	26	846	–	4,796
Deferred tax liabilities	27	–	10,421	12,145
		1,322	10,421	17,650
NET ASSETS		85,384	193,736	260,465

	NOTES	At 30 June 2023 HK\$'000	At 30 June 2022 HK\$'000 (Restated) (Note 1)	At 1 July 2021 HK\$'000 (Restated) (Note 1)
Capital and reserves				
Share capital	28	132,670	132,670	132,670
Reserves		(96,393)	9,233	74,282
Equity attributable to owners of the Company		36,277	141,903	206,952
Non-controlling interests		49,107	51,833	53,513
TOTAL EQUITY		85,384	193,736	260,465

The consolidated financial statements on pages 52 to 109 were approved and authorised for issue by the board of directors on 28 September 2023 and are signed on its behalf by:

Zhang Sanhuo
DIRECTOR

So Stephen Hon Cheung
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Surplus account HK\$'000 (Note)	Foreign currency translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 July 2021									
(Restated)	132,670	454,068	22,755	1,548	19,000	(423,089)	206,952	53,513	260,465
Loss for the year (Restated)	-	-	-	-	-	(64,117)	(64,117)	(1,739)	(65,856)
Other comprehensive (expense)/income for the year (Restated)	-	-	-	(932)	-	-	(932)	59	(873)
Total comprehensive expense for the year (Restated)	-	-	-	(932)	-	(64,117)	(65,049)	(1,680)	(66,729)
Balance at 30 June 2022									
(Restated)	132,670	454,068	22,755	616	19,000	(487,206)	141,903	51,833	193,736
Balance at 1 July 2022									
(Restated)	132,670	454,068	22,755	616	19,000	(487,206)	141,903	51,833	193,736
Loss for the year	-	-	-	-	-	(103,225)	(103,225)	(4,364)	(107,589)
Other comprehensive (expense)/income for the year	-	-	-	(2,401)	-	-	(2,401)	145	(2,256)
Total comprehensive expense for the year	-	-	-	(2,401)	-	(103,225)	(105,626)	(4,219)	(109,845)
Disposal of subsidiaries (Note 33)	-	-	-	-	-	-	-	1,493	1,493
Balance at 30 June 2023	132,670	454,068	22,755	(1,785)	19,000	(590,431)	36,277	49,107	85,384

Note: Surplus account of the Group represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Pine Technology (BVI) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in previous years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	2023 HK\$'000	2022 HK\$'000 (Restated) (Notes 1 and 10)
Cash flows from operating activities		
Loss before income tax from continuing operations	(117,785)	(76,260)
Loss/(profit) from discontinued operation	(102)	8,892
	(117,887)	(67,368)
Adjustments for:		
Depreciation of property, plant and equipment	733	1,412
Depreciation of right-of-use assets	1,225	1,529
Reversal of impairment loss on trade receivables, net	–	(187)
Amortisation of intangible assets	11,466	11,490
Finance costs	204	743
Interest income	(51)	(23)
Impairment loss on goodwill	18,289	43,991
Impairment loss on intangible assets	58,007	–
Write-off of property, plant and equipment	616	–
Operating loss before working capital changes	(27,398)	(8,413)
Change in inventories	(19)	–
Change in trade and other receivables and rental deposits	(918)	35,209
Change in loan receivables	19,003	63,203
Change in contract assets and contract costs	6,817	(3,939)
Change in contract liabilities	(134)	(4,469)
Change in trade and other payables	(2,906)	3,884
Net cash (used in)/generated from operations	(5,555)	85,475
Interest paid on lease liabilities	(101)	(141)
Income tax refunded/(paid)	140	(1,528)
Net cash (used in)/generated from operating activities	(5,516)	83,806

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	2023 HK\$'000	2022 HK\$'000 (Restated) (Notes 1 and 10)
Cash flows from investing activities		
Interest received	51	23
Disposal of subsidiaries (Note 33)	(3)	–
Purchases of property, plant and equipment	–	(62)
Net cash generated from/(used in) investing activities	48	(39)
Cash flows from financing activities		
Interest paid	(103)	(554)
Repayments of lease liabilities	(1,235)	(1,560)
New bank borrowings raised	1,627	5,678
Repayments of bank borrowings	(6,133)	(11,349)
Repayments to a director	(1,417)	–
Loan from a director	–	1,703
Net cash used in financing activities	(7,261)	(6,082)
Net (decrease)/increase in cash and cash equivalents	(12,729)	77,685
Cash and cash equivalents at beginning of the year	111,639	37,315
Effect of foreign exchange rate changes	(801)	(3,361)
Cash and cash equivalents at end of the year	98,109	111,639
Analysis of cash and cash equivalents		
Bank and cash balances	98,109	111,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL INFORMATION

PINE Technology Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda and its shares are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries are together referred to as the “**Group**”. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the Company’s principal place of business in Unit B, 12/F., Central 88, 88–98 Des Voeux Road Central, Central, Hong Kong.

The principal activities of the Group are the manufacture and sales of market video graphics cards and other computer components under the Group’s brand name, distribution of other manufacturers’ computer components and consumer electronic products and others, trading business, and provision of computer software and hardware and system development service. The Company is an investment holding company.

During the year, a subsidiary of the Company, which involved in money lending business, did not renew its money lender licence which expired on 29 September 2022 and ceased to be a licensed money lender in Hong Kong since then. Therefore, the Group classified the results of money lending business as discontinued operation and the comparative information for the corresponding period has been restated. Details in relation to such discontinued operation are set out in Note 10.

Change of presentation currency

The Company’s functional currency is Hong Kong Dollars (“**HKD**”) since majority of the activities of the Company are conducted in HKD. In prior years, United States Dollar (“**USD**”) was regarded as the presentation currency of the Group’s consolidated financial statements. During the year, the directors of the Company (the “**Directors**”) has decided to adopt HKD as the presentation currency for the consolidated financial statements of the Group. Having considered that the Company’s shares are listed on the Stock Exchange and are traded in HKD, the Directors believe that 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. As such, the Directors believes that it is more appropriate to adopt HKD as its presentation currency for the consolidated financial statements of the Group.

The change in presentation currency of the Group was applied retrospectively, as if the new presentation currency had always been applied. The Group has also presented the consolidated statement of financial position as at 1 July 2022 without related notes. The retrospective change of the presentation currency of the Group has had no material effects on the financial positions of the Group as at 30 June 2022 and 1 July 2021 and its financial performance for the year ended 30 June 2022.

All values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2022 for the preparation of the consolidated financial statements. The adoption of these new and revised HKFRSs in the current year did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current and prior years.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared under historical cost convention. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 4 to the consolidated financial statements.

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

Consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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

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

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

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

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HKD, which is the Company's functional and presentation currency.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(iii) Translation on consolidation

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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 sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

	Estimated useful lives
Motor vehicles	4 to 6 years
Furniture, fixtures and equipment	4 to 6 years
Computer equipment	4 to 5 years

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

Trademarks

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessee

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

Office premises	1–2 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below HK\$39,000.

Recognition and derecognition of financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

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

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

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

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

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

Loss allowances for expected credit losses (“ECL”)

The Group recognises loss allowances for ECL on financial assets at amortised cost and contract assets. ECL are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the ECL that result from all possible default events over the expected life of that financial instrument (“**lifetime expected credit losses**”) for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the ECL that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of ECL or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

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

Equity instruments

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

Revenue from contracts with customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

Other revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(i) **Employee leave entitlements**

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

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

(ii) **Pension obligations**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(iii) Termination benefits

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

Share-based payments

The Group issues equity-settled share-based payments to certain Directors, employees and consultants.

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

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

- (A) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

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

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting year, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Provisions and contingent liabilities

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

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

Events after the reporting year

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets is impaired requires an estimation of the value-in-use of the cash-generating unit to which goodwill has been allocated and intangible assets. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Impairment losses on goodwill and intangible assets of approximately HK\$18,289,000 (2022: approximately HK\$43,991,000 (restated)) and approximately HK\$58,007,000 (2022: Nil), respectively, had been recognised during the year. Details of the impairment loss assessment are provided in Note 17 and Note 18 to the consolidated financial statements.

(b) *Provision of ECL for trade and other receivables and contract assets*

Trade and other receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates. During the year, the Group had no impairment loss or reversal of impairment loss (2022: net reversal of impairment loss of approximately HK\$187,000 (restated) for trade receivables upon the settlement of the balance). The information about the Group's trade and other receivables and contract assets are disclosed in Notes 19 and 21, respectively, to the consolidated financial statements.

5. FINANCIAL RISK MANAGEMENT

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

(a) *Foreign exchange risk*

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The carrying amount of the bank balances and cash, trade and other receivables and loan receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. The Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers. The top five customers of the Group accounted for about 85% (2022: 79%) of the Group's trade receivables as at 30 June 2023. For money lending services segment, the top three borrowers of the Group accounted for about nil (2022: 79%) of the Group's loan receivables as at 30 June 2023. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

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

The maturity analysis of the Group's financial liabilities is as follow:

	Within 12 months or on demand HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
At 30 June 2023					
Trade and other payables	16,008	–	–	16,008	16,008
Loan from a director	286	–	–	286	286
Bank borrowings	566	546	325	1,437	1,367
	16,860	546	325	17,731	17,661

	Within 12 months or on demand HK\$'000 (Restated)	1 to 2 years HK\$'000 (Restated)	2 to 5 years HK\$'000 (Restated)	Total contractual undiscounted cash flow HK\$'000 (Restated)	Carrying amounts HK\$'000 (Restated)
At 30 June 2022					
Trade and other payables	19,241	–	–	19,241	19,241
Loan from a director	1,703	–	–	1,703	1,703
Bank borrowings	5,936	–	–	5,936	5,873
	26,880	–	–	26,880	26,817

(d) Interest rate risk

The Group exposed to cash flow interest rate risk in relation to bank balances and bank borrowings. The management will consider hedging significant interest rate exposure should the need arise.

The management considered that the exposure to cash flow interest rate risk in relation to bank balances and bank borrowings is minimal, accordingly, no sensitivity analysis is presented for both years.

(e) Fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 30 June

	2023 HK\$'000	2022 HK\$'000 (Restated)
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	104,960	136,582
Financial liabilities:		
Financial liabilities at amortised cost	17,661	26,817

6. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“**CODM**”), for the purpose of resources allocation and assessment of segment performance focuses on the sales of brands of products provided by the Group’s operating divisions. The Group is currently organised into four operating divisions, which are the sales of Group’s brand products; sales of other brand products; trading business; and provision of computer software and hardware and system development service. These four operating divisions form the basis of internal reports about components of the Group that are regularly reviewed by the CODM for the purpose of resources allocation and performance assessment. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group’s reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

Group’s brand products	– manufacture and sales of market video graphics cards and other computer components under the Group’s brand name
Other brand products	– distribution of other manufacturers’ computer components and consumer electronic products and others
Money lending service	– money lending service in Hong Kong (discontinued operation)*
Trading business	– trading business in the People’s Republic of China (the “ PRC ”)
Computer software and hardware and system development service	– provision of computer software and hardware and system development service in the PRC

* During the year, the Company’s subsidiary did not renew its money lender license which expired on 29 September 2022 and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of the money lending business as discontinued operation (as detailed in Note 10) and the comparative information for the corresponding period in 2022 has been restated.

6. REVENUE AND SEGMENT INFORMATION (Continued)

The Group's revenue is analysed as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated)
Sales of plastic products through trading business	35,568	–
Provision for computer software and hardware and system development service	11,320	51,776
Sales of other brand products	105	–
Revenue from contract with customers	46,993	51,776

Disaggregation of revenue from contracts with customers:

For the years ended 30 June 2023 and 2022

	2023 HK\$'000	2022 HK\$'000 (Restated)
Major products/services		
Sales of plastic products through trading business	35,568	–
Provision for computer software and hardware and system development service	11,320	51,776
Sales of computer components	105	–
Total	46,993	51,776
Timing of revenue recognition		
At a point in time	35,673	–
Over time	11,320	51,776
Total	46,993	51,776

Sales of Group's brand products and other brand products

The Group manufactures and sells market video graphics cards, other computer components, consumer electronic products and others under the Group's brand products and other brand products. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The products are sold with volume discounts based on aggregate sales over a 12 months period, if any. Revenue from these sales is recognised based on the prices specified in the contracts, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method. A contract liability is recognised for the expected volume discounts payable to customers in relation to the sales made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Sales of Group's brand products and other brand products *(Continued)*

Sales to customers are normally made with credit terms from 90 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales of plastic products through trading business

The Group sells plastic products through trading business. Sales are recognised when control of the product is transferred, being when the products are delivered to a customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts.

Provision for computer software and hardware and system development service

The Group provides computer software and hardware and system development service to the customers. When the progress towards complete satisfaction of the performance obligations of computer software and hardware and system development service contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the surveys of work performed. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of computer software and hardware and system development service contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

Some system integration contracts include multiple deliverables, such as the installation of hardware and software. If the installation is simple, does not include an integration service and could be performed by another party, it is accounted for as a separate performance obligation.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Provision for computer software and hardware and system development service *(Continued)*

If a contract includes the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 30 June 2023

	Group's brand products HK\$'000	Other brand products HK\$'000	Trading business HK\$'000	Computer software and hardware and system development service HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	–	105	35,568	11,320	46,993
	–	105	35,568	11,320	46,993
SEGMENT RESULTS	(801)	(27)	274	(98,266)	(98,820)
Interest income					51
Unallocated corporate expenses					(18,812)
Finance costs					(204)
Loss before income tax from continuing operations					(117,785)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. REVENUE AND SEGMENT INFORMATION *(Continued)*
For the year ended 30 June 2022

	Group's brand products HK\$'000 (Restated)	Other brand products HK\$'000 (Restated)	Trading business HK\$'000 (Restated)	Computer software and hardware and system development service HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
REVENUE					
External sales	–	–	–	51,776	51,776
	–	–	–	51,776	51,776
SEGMENT RESULTS	(3,307)	–	(16)	(58,516)	(61,839)
Interest income					23
Unallocated corporate expenses					(13,701)
Finance costs					(743)
Loss before income tax from continuing operations					(76,260)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents gross loss incurred by or gross profit generated from each segment, net of selling and distribution costs and administration costs directly attributable to each segment without allocation of interest income, corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

No segment assets and liabilities in the measure of the Group's reporting are presented as the information is not reported to the CODM for the purposes of resources allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 30 June 2023

	Group's brand products HK\$'000	Other brand products HK\$'000	Trading business HK\$'000	Computer software and hardware and system development service HK\$'000	Consolidated HK\$'000
Reversal of impairment loss on trade receivables, net	-	-	-	-	-
Impairment loss on goodwill	-	-	-	18,289	18,289
Impairment loss on intangible assets	-	-	-	58,007	58,007
Amortisation of intangible assets	-	-	-	11,466	11,466
Depreciation of right-of-use assets	1,225	-	-	-	1,225
Depreciation of property, plant and equipment	-	-	-	733	733

For the year ended 30 June 2022

	Group's brand products HK\$'000 (Restated)	Other brand products HK\$'000 (Restated)	Trading business HK\$'000 (Restated)	Computer software and hardware and system development service HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
Reversal of impairment loss on trade receivables, net	-	-	-	(187)	(187)
Impairment loss on goodwill	-	-	-	43,991	43,991
Amortisation of intangible assets	-	-	-	11,490	11,490
Depreciation of right-of-use assets	1,529	-	-	-	1,529
Depreciation of property, plant and equipment	-	-	-	1,412	1,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from continuing operations from external customers mainly derives from customers located in Asia, and information about its non-current assets excluded financial instruments by geographical location of the assets are detailed as below:

	Revenue by external customers		Non-current assets	
	2023 HK\$'000	2022 HK\$'000 (Restated)	2023 HK\$'000	2022 HK\$'000 (Restated)
Asia	46,993	51,776	1,588	90,116
	46,993	51,776	1,588	90,116

Information about major customers

	2023 HK\$'000	2022 HK\$'000 (Restated)
Sales of plastic products through trading business:		
– Customer A	28,854	–
Provision for computer software and hardware and system development service:		
– Customer B*	1,471	17,488

* This customer did not contribute over 10% of the Group's revenue for the year, the figures shown were for comparative purpose only.

7. OTHER GAINS AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
Reversal of impairment loss on trade receivables, net	–	187
Foreign exchange loss	(6,100)	(1,584)
Loss on disposal of subsidiaries	(1,183)	–
Write-off of property, plant and equipment	(616)	–
Others	(138)	78
	(8,037)	(1,319)

8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
Interest on:		
Bank borrowings	103	554
Other borrowings	–	48
Lease liabilities	101	141
	204	743

9. INCOME TAX CREDIT

	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
Current tax		
Hong Kong Profits Tax	123	212
Deferred tax	(10,421)	(1,724)
Income tax credit	(10,298)	(1,512)

For the years ended 30 June 2023 and 2022, Hong Kong Profits Tax is calculated under two-tier profit tax rate regime. First HK\$2 millions of estimated assessable profits is taxed at a rate of 8.25% and the remaining estimated assessable profits is taxed at 16.5%. The Group have selected one of the Hong Kong subsidiaries to apply the two-tier profits tax rate.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. INCOME TAX CREDIT (Continued)

The reconciliation between the income tax credit and loss before income tax from continuing operations is as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated)
Loss before income tax from continuing operations	(117,785)	(76,260)
Tax at the applicable tax rate of 16.5% (2022: 16.5%)	(19,435)	(12,583)
Tax effect of expenses not deductible for tax purpose	6,895	3,962
Tax effect of income not taxable for tax purpose	(101)	(94)
Utilisation of tax losses previously not recognised	(421)	(96)
Tax effect of tax losses not recognised	2,518	7,160
Tax effect of deductible temporary differences not recognised	232	172
Effect of different tax rates of subsidiaries operating in other jurisdictions	14	(33)
Income tax credit	(10,298)	(1,512)

10. DISCONTINUED OPERATION

During the year, the Company's subsidiary did not renew its money lender license which expired on 29 September 2022 and ceased to be a licensed money lender in Hong Kong. Therefore, the Group classified the results of the money lending business as discontinued operation and the comparative information for the corresponding period in 2022 has been restated.

The financial results of the money lending business for the year have been presented separately as a single line item in the consolidated statement of the profit or loss and other comprehensive income for the year.

For details concerning the discontinued operation, please refer to the announcement published by the Company on 9 September 2022.

The loss for the year from discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and the other comprehensive income have been restated to represent the money lending business as a discontinued operation.

	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue – loan interest income	–	9,196
General and administrative expenses	(102)	(304)
(Loss)/profit for the year	(102)	8,892

11. LOSS FOR THE YEAR

The Group's loss for the year from continuing operations is stated after charging/(crediting) the following:

	2023 HK\$'000	2022 HK\$'000 (Restated)
Amortisation on intangible assets:		
Trademarks	1	1
Customer relationship	11,465	11,489
Auditor's remuneration	960	1,260
Depreciation of property, plant and equipment	733	1,412
Depreciation of right-of-use assets	1,225	1,529
Staff costs (including directors' remuneration – Note 12)		
Salaries, bonus and allowances	20,828	29,438
Retirement benefits scheme contributions	1,402	1,183
	22,230	30,621
Interest income on bank deposits	(51)	(23)
Short-term lease expenses	242	1,331

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The remuneration of each Director for the year ended 30 June 2023 is set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Bonuses HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Mr. Zhang Sanhuo	1,200	-	-	-	1,200
<i>Independent Non-executive Directors</i>					
Mr. Zhou Chunsheng	144	-	-	-	144
Mr. So Hon Cheung	144	-	-	-	144
Mr. Tian Hong	144	-	-	-	144
Total	1,632	-	-	-	1,632

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For the year ended 30 June 2023

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

The remuneration of each Director for the year ended 30 June 2022 is set out below:

	Fee HK\$'000 (Restated)	Salaries, allowances and benefits in kind HK\$'000 (Restated)	Retirement benefits scheme contributions HK\$'000 (Restated)	Bonuses HK\$'000 (Restated)	Total HK\$'000 (Restated)
<i>Executive Directors</i>					
Mr. Zhang Sanhuo	1,300	–	–	–	1,300
Mr. Chan Cheuk Ho (resigned on 31 May 2022)	1,300	–	–	–	1,300
<i>Independent Non-executive Directors</i>					
Mr. Zhou Chunsheng	144	–	–	–	144
Mr. So Hon Cheung	144	–	–	–	144
Mr. Tian Hong	144	–	–	–	144
Total	3,032	–	–	–	3,032

Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2022: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2022: three) individuals are set out below:

	2023 HK\$'000	2022 HK\$'000 (Restated)
Basic salaries and allowances	3,159	4,170
	3,159	4,170

The emoluments fell within the following band:

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

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(Continued)*

During the two years ended 30 June 2023 and 2022, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the years ended 30 June 2023 and 2022.

13. DIVIDEND

No dividend had been paid or proposed for both years presented. The Directors do not recommend the payment of any dividend for the year (2022: Nil).

14. LOSS PER SHARE**From continuing and discontinued operations**

The calculation of basic loss per share attributable to owners of the Company from continuing and discontinued operations is based on the loss of approximately HK\$103,225,000 (2022: approximately HK\$64,117,000 (restated)) for the year attributable to owners of the Company and the weighted average number of approximately 1,326,702,000 (2022: 1,326,702,000) ordinary shares in issue during the year.

From continuing operations

Basic and diluted loss per share for the year from continuing operations is HK\$0.078 per share (2022: HK\$0.055 (restated) per share), based on the loss of approximately HK\$103,123,000 (2022: approximately HK\$73,009,000 (restated)) for the year from continuing operations attributable to owners of the Company divided by the weighted average number of approximately 1,326,702,000 (2022: 1,326,702,000) ordinary shares in issue during the year.

From a discontinued operation

Basic and diluted loss per share for the year from a discontinued operation is HK\$0.00008 per share (2022: earnings per share from a discontinued operation is HK\$0.007 (restated) per share), based on the loss of approximately HK\$102,000 (2022: profit from a discontinued operation of approximately HK\$8,892,000 (restated)) for the year from a discontinued operation attributable to owners of the Company divided by the weighted average number of approximately 1,326,702,000 (2022: 1,326,702,000) ordinary shares in issue during the year.

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

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For the year ended 30 June 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK\$'000	Furniture fixtures and equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost				
At 1 July 2021 (Restated)	7,854	3,557	5,880	17,291
Exchange adjustments	(16)	–	(172)	(188)
Additions	–	–	62	62
Write-off	–	–	(8)	(8)
At 30 June 2022 and 1 July 2022 (Restated)	7,838	3,557	5,762	17,157
Exchange adjustments	(15)	(8)	(264)	(287)
Write-off	(226)	(78)	(5,359)	(5,663)
At 30 June 2023	7,597	3,471	139	11,207
Accumulated depreciation				
At 1 July 2021 (Restated)	5,593	3,549	5,101	14,243
Exchange adjustments	(8)	(8)	(148)	(164)
Provided for the year	1,318	8	86	1,412
Eliminated upon write-off	–	–	(8)	(8)
At 30 June 2022 and 1 July 2022 (Restated)	6,903	3,549	5,031	15,483
Exchange adjustments	–	(16)	(54)	(70)
Provided for the year	694	8	31	733
Eliminated upon write-off	–	(70)	(4,977)	(5,047)
At 30 June 2023	7,597	3,471	31	11,099
Carrying amount				
At 30 June 2023	–	–	108	108
At 30 June 2022 (Restated)	935	8	731	1,674

16. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2023 HK\$'000	2022 HK\$'000 (Restated)
At 30 June:		
Right-of-use assets		
– Office premises	1,474	674

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

– Less than 1 year	1,108	749
– Between 1 and 2 years	499	–
	1,607	749
Year ended 30 June:		
Depreciation charge of right-of-use assets		
– Office premises	1,225	1,529
Lease interests	101	141
Expenses related to short-term leases	242	1,331
Total cash outflow for leases	1,336	1,701
Additions to right-of-use assets	2,025	–

The Group leases various office premises. Lease agreements are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

17. GOODWILL

	HK\$'000
Cost	
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023 (Restated)	92,270
Accumulated impairment losses	
At 1 July 2021 (Restated)	29,990
Impairment loss recognised in the current year (Restated)	43,991
At 30 June 2022 and 1 July 2022 (Restated)	73,981
Impairment loss recognised in the current year	18,289
At 30 June 2023	92,270
Carrying amount	
At 30 June 2023	–
At 30 June 2022 (Restated)	18,289

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (“**CGUs**”) that are expected to benefit from that business combination. The carrying amount of goodwill arose from the acquisition of Eternal Abundant Limited and its subsidiaries (“**Eternal Abundant Group**”) during the year ended 30 June 2019 and had been allocated to computer software and hardware and system development service segment for the purpose of impairment testing. In addition to the goodwill, the major non-current asset attributable to this segment is the customer relationship under intangible assets (Note 18(a)).

The recoverable amount of the CGU of the computer software and hardware and system development service business is determined based on a value-in-use calculation using discounted cash flow projections based on financial budgets covering a five-year period approved by the management.

The value-in-use calculation takes into account the future cash flow expected to arise from the CGU and a suitable discount rate in arriving at the present value. Where the actual cash flow is less than expected, or any change in facts and circumstances results in downward revision of future cash flow, the value-in-use of a CGU may be reduced accordingly. In the event that the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount will be reduced to the recoverable amount, and an impairment loss will be recognised.

The key assumptions for the discounted cash flow projections are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the projection period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operates. Budgeted gross margin and revenue are based on past practices and expectations on market development.

17. GOODWILL (Continued)

Since the first half of the current year, the implementation of strict lockdown measures and anti-pandemic policies in the PRC had a discouraging effect on business activities, thereby adversely affecting the operation and development of Eternal Abundant Group. In the second half of the current year, the global economy continued to decline, posing significant challenges to the PRC's economy. Consequently, a considerable portion of the customer base exhibited a decreased willingness to invest in or upgrade their computer software and hardware, leading to a declined in significant project opportunities during the year. This, in turn, resulted in the loss of existing core customers (the “**Core Customers**”) of Eternal Abundant Group and posed difficulties in attracting new customers for Eternal Abundant Group, thereby affecting its overall performance. As a result, Eternal Abundant Group was unable to secure significant contracts or projects and recorded an operating loss in the current year.

The discount rates, growth rates and budgeted gross margin and revenue during the projection period have been reassessed in the current year taking into consideration higher degree of estimation uncertainties due to the reasons as mentioned above.

Gross margin from approximately 6% to 29% was adopted for the projected years from 2024 to 2028 (2022: gross margin from approximately 30% to 46% were adopted for the projected years from 2023 to 2027) and net margin from -60% to 4% were adopted for the projected years from 2024 to 2028 (2022: net margin from 10% to 33% were adopted for the projected years from 2023 to 2027).

The Group prepares cash flow projections derived from the most recent financial budgets approved by the Directors for the next five years with the residual period using the growth rate of 3% (2022: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the projected cash flows from the Group's computer software and hardware and system development service segment is approximately 20.57% (2022: approximately 19.31%).

The recoverable amount of the CGUs are based on the valuation carried out by Greater China Appraisal Limited (“**Greater China**”), an independent professional valuer not connected with the Group.

Based on the valuation prepared by Greater China, the value-in-use of the CGU consisted of a group of assets held under Eternal Abundant Group as at 30 June 2023 is zero (2022: approximately HK\$89,497,000 (restated)).

The management had considered the key assumptions adopted in the valuation and had based its determination of the CGU's recoverable amount would cause an impairment loss on goodwill of approximately HK\$18,289,000 for the year (2022: approximately HK\$43,991,000 (restated)) and an impairment loss on intangible assets under the same CGU of approximately HK\$58,007,000 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

18. INTANGIBLE ASSETS

	Trademarks HK\$'000	Customer relationship HK\$'000 (Note a)	Total HK\$'000
Cost			
At 1 July 2021, 30 June 2022, 1 July 2022 (Restated)	2,195	114,715	116,910
Write-off	(2,090)	–	(2,090)
At 30 June 2023	105	114,715	114,820
Accumulated amortisation and impairment			
At 1 July 2021 (Restated)	2,187	33,754	35,941
Provided for the year (Restated)	1	11,489	11,490
At 30 June 2022 and 1 July 2022 (Restated)	2,188	45,243	47,431
Provided for the year	1	11,465	11,466
Write-off	(2,090)	–	(2,090)
Impairment loss (Note 17)	–	58,007	58,007
At 30 June 2023	99	114,715	114,814
Carrying amount			
At 30 June 2023	6	–	6
At 30 June 2022 (Restated)	7	69,472	69,479

Note:

- (a) Such intangible assets arose from the acquisition of Eternal Abundant Group in July 2018 based on the valuation prepared by an independent external valuer adopting the multi-period excess earnings method under the income approach. The intangible assets were evaluated based on Eternal Abundant Group's Core Customers of the five years preceding the acquisition. As at the date of the valuation, the relationships between Eternal Abundant Group and its Core Customers have been well-established, strong and achieved through track records of quality product deliveries. These intangible assets enable Eternal Abundant Group to have stable source of revenue and also provide a solid foundation for business growth and development. During the current year, almost all of the existing significant contracts and projects of Eternal Abundant Group had been completed and no significant contracts or projects had been obtained from its Core Customers or other customers. Details of the impairment loss assessment are provided in Note 17.

19. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000 (Restated)
Current		
Trade receivables	3,479	1,794
Less: allowance for doubtful debts	–	(234)
Trade receivables, net	3,479	1,560
Deposits, prepayments and other receivables	2,835	4,380
	6,314	5,940
Non-current		
Rental deposits	537	–
	6,851	5,940

The Group allows a credit period of 1 to 180 days (2022: 1 to 180 days) to its trade customers. The aged analysis of trade receivables, net of allowances for doubtful debts, presented based on invoice date is as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated)
1 to 30 days	757	234
31 to 60 days	764	–
61 to 90 days	–	–
Over 90 days	1,958	1,326
	3,479	1,560

Reconciliation of loss allowance for trade receivables:

	2023 HK\$'000	2022 HK\$'000 (Restated)
At beginning of year	234	421
Increase in loss allowance for the year	–	234
Reversal of loss allowance for the year	–	(421)
Amount written-off	(226)	–
Exchange adjustments	(8)	–
At end of year	–	234

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For the year ended 30 June 2023

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group applies the simplified approach under HKFRS 9 to provide for ECL using the lifetime expected loss provision for all trade receivables. The ECL are measured based on individual assessment, taking into account the past due status of debtors, adjusted as appropriate to reflect account condition and estimates of future conditions.

During the year, the Group had no impairment loss or reversal of impairment loss (2022: net reversal of impairment loss of approximately HK\$187,000 (restated) for trade receivables upon the settlement of the balance).

20. LOAN RECEIVABLES

	2023 HK\$'000	2022 HK\$'000 (Restated)
Fixed-rate loan receivables	-	19,003

All loan receivables were fully settled during the year. The loan receivables as at 30 June 2022 were unsecured, carried fixed-rate interest of 8% per annum and repayable within one year.

The Group has credit policies, guidelines, procedures, and a credit risk management committee in place which cover key internal controls of a loan transaction, including (i) background check, (ii) credit assessment, (iii) proper execution of documentations, (iv) continuous monitoring of the credit risk exposure, and (v) recovery and collection of loan.

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower, assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

The Group reviews the recoverable amount of each individual loan receivable at the end of the reporting year to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the Directors believe that there is no allowance or impairment required.

21. CONTRACT ASSETS, CONTRACT COSTS AND CONTRACT LIABILITIES

The contract assets and contract costs of the Group are under the computer software and hardware and system development service segment.

	At 30 June 2023 HK\$'000	At 30 June 2022 HK\$'000 (Restated)	At 1 July 2021 HK\$'000 (Restated)
Contract assets	–	5,573	2,948
Contract costs – pre-contract costs	408	1,645	414
Total contract assets and contract costs	408	7,218	3,362
Contract receivables (included in trade receivables)	3,479	1,560	23,611
Contract liabilities	496	670	5,281

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

– 2022	–	–	21,785
– 2023	–	670	1,677
– 2024	313	–	913
– 2025	183	–	–
	496	670	24,375

Significant changes in contract assets during the year:

	Contract assets 2023 HK\$'000	Contract liabilities 2023 HK\$'000	Contract assets 2022 HK\$'000 (Restated)	Contract liabilities 2022 HK\$'000 (Restated)
Increase due to operations during the year	6,687	(444)	27,347	(4,992)
Transfer of contract liabilities to revenue	–	578	–	9,461
Transfer of contract assets to receivables	(12,267)	–	(24,640)	–
Exchange adjustments	7	40	(82)	142

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22. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.01% to 0.35% (2022: 0.01% to 0.3%) per annum with an original maturity of three months or less.

As at 30 June 2023, the bank balances and cash of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$97,094,000 (2022: approximately HK\$109,941,000 (restated)). Conversion of RMB into foreign currencies subject to the PRC’s Foreign Exchange Control Regulations.

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting year, and accruals and other payables:

	2023 HK\$'000	2022 HK\$'000 (Restated)
1 to 30 days	772	250
31 to 60 days	–	–
61 to 90 days	–	1,404
Over 90 days	5,819	12,940
Trade payables	6,591	14,594
Accruals and other payables	9,417	4,647
	16,008	19,241

The average credit period on purchases of goods is 30 to 60 days (2022: 30 to 60 days).

24. LOAN FROM A DIRECTOR

The amounts are unsecured, interest-free and repayable on demand.

25. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	As at 30 June 2023 HK\$'000	As at 30 June 2022 HK\$'000 (Restated)	As at 30 June 2023 HK\$'000	As at 30 June 2022 HK\$'000 (Restated)
Within one year	1,108	749	1,023	709
In the second to fifth year, inclusive	499	–	476	–
	1,607	749		
Less: Future finance charges	(108)	(40)		
Present value of lease liabilities	1,499	709	1,499	709
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,023)	(709)
Amount due for settlement after 12 months			476	–

At 30 June 2023, the average effective borrowing rate was 4.80% (2022: 4.80%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

26. BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000 (Restated)
Secured bank borrowings	1,367	5,873
Less: Amount due for settlement within 12 months (shown under current liabilities)	(521)	(5,873)
Amount due for settlement after 12 months	846	–

The effective interest rates (which are also equal to contracted interest rates) on the Group's fixed-rate bank borrowings are 4.50% (2022: 3.85% to 4.85%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

27. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Intangible assets HK\$'000
At 1 July 2021 (Restated)	12,145
Credited to profit or loss (Restated)	(1,724)
At 30 June 2022 and 1 July 2022 (Restated)	10,421
Credited to profit or loss	(10,421)
At 30 June 2023	–

At 30 June 2023 and 2022, no deferred tax liability has been recognised in respect of temporary differences attributable to certain undistributed earnings of subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 30 June 2023, the Group has no deductible temporary differences (2022: approximately HK\$226,000 (restated)). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Number of shares	Amounts HK\$'000 (Restated)
Ordinary shares of HK\$0.1 each:		
Authorised		
At 1 July 2021, 30 June 2022 and 30 June 2023	2,000,000,000	200,000
Issued and fully paid		
At 1 July 2021, 30 June 2022 and 30 June 2023	1,326,701,739	132,670

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders of the Company (the “**Shareholders**”) through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings, net of cash and cash equivalents, and equity attributable to the owners of the Company, comprising issued share capital, share premium and reserves.

The Directors review the capital structure periodically taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

29. SHARE OPTIONS

Pursuant to a resolution passed on 22 November 2013, the Company has adopted a new share option scheme (the “**New Scheme**”), for the purpose of providing incentives to Directors and eligible employees and, unless otherwise cancelled or amended, expired on 21 November 2023. No further options can be granted under the share option scheme which was adopted on 16 April 2003 (the “**Old Scheme**”) which expired on 15 April 2013.

The New Scheme and the Old Scheme shall be valid and effective until the respective expiry dates, after which period no further share options will be granted but the provisions of these schemes shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto. Under the New Scheme and the Old Scheme, the Board of Directors may grant options to eligible employees, including executive directors, any of its subsidiaries, or any persons who have contributed or will contribute to the Group, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the New Scheme and the Old Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the respective date of Shareholders’ approval of each scheme (the “**Scheme Mandate Limit**”) or, if such 10% limit is refreshed, at the date of Shareholders’ approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and the Old Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company’s shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company’s issued share capital and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant, then the grant must be approved in advance by the Shareholders.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per option. An option may be exercised in accordance with the terms of the New Scheme and the Old Scheme at any time during the respective effective period of each scheme to be notified by the Board of Directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the Directors, and will not be less than the highest of the closing price of the Company’s share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

29. SHARE OPTIONS (Continued)

Details of the share options outstanding under the New Scheme during the year to subscribe for the shares in the Company are as follows:

There were no movements of the Company's number of share options during the years ended 30 June 2023 and 2022.

The following tables disclose the details of the Company's share options outstanding at the years ended 30 June 2023 and 2022:

For the year ended 30 June 2023 and 2022

	Positions held in the Company	Outstanding at 1 July 2021, 30 June 2022 and 30 June 2023	Grant date	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK\$
Mr. Zhang Sanhuo	Chairman and Executive Director	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
		2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83
		5,430,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		5,430,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
Mr. Chan Cheuk Ho	Employee ^(Note 1)	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
		2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83
		6,630,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		6,630,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
Sub-total for directors		36,120,000				
Consultants		18,260,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		18,260,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
		36,520,000				
Total		72,640,000				
Exercisable at the end of the year		72,640,000				
Weighted average exercise price (HK\$)		0.52				

Note:

- Mr. Chan Cheuk Ho has resigned as an executive Director with effect from 31 May 2022. Mr. Chan Cheuk Ho remains as the Company Secretary and authorised representative of the Company.

Share options granted to consultants were incentives for helping the Group to provide professional advice in relation to the business and the operation of the Group. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

29. SHARE OPTIONS *(Continued)*

The Black-Scholes pricing model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Black-Scholes pricing model does not necessarily provide a reliable measure of the fair value of the share options.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000 (Restated)
Non-current assets		
Investments in subsidiaries	1	1,473
Intangible assets	6	7
	7	1,480
Current assets		
Other receivables	186	183
Loans to subsidiaries	–	73,000
Amounts due from subsidiaries	85,840	122,168
Tax recoverable	631	–
Bank balances and cash	215	116
	86,872	195,467
Current liabilities		
Other payables	1,209	1,419
Loan from a director	286	1,780
	1,495	3,199
Net current assets	85,377	192,268
Net assets	85,384	193,748
Capital and reserves		
Share capital	132,670	132,670
Reserves	(47,286)	61,078
Total equity	85,384	193,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES OF THE COMPANY (Continued)

The followings are the movements of the Company's reserves:

	Share premium HK\$'000	Surplus account HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2021 (Restated)	454,068	70,189	19,000	(417,130)	126,127
Loss and total comprehensive expense for the year (Restated)	–	–	–	(65,049)	(65,049)
At 30 June 2022 and 1 July 2022 (Restated)	454,068	70,189	19,000	(482,179)	61,078
Loss and total comprehensive expense for the year	–	–	–	(108,364)	(108,364)
At 30 June 2023	454,068	70,189	19,000	(590,543)	(47,286)

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at the end of the reporting year are as follows:

Name of subsidiary	Place of incorporation or establishment/ principal country of operation	Issued and paid-up capital	Percentage of ownership interest/voting power		Principal activities
			2023	2022	
All Advance Limited	British Virgin Islands ("BVI")/ Hong Kong	US\$1	85%	85%	Investment holding
Best Standard Investment Limited	Hong Kong/ Hong Kong	HK\$10,000	100%	100%	Investment holding
City Moon Limited	Samoa/Hong Kong	US\$100	100%	100%	Investment holding
Colour Stream Holdings Limited (Note (a))	Samoa/Hong Kong	US\$100	100%	100%	Investment holding
Elite View Development Ltd.	Hong Kong/ Hong Kong	HK\$1	85%	85%	Provision of services to group companies

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation or establishment/ principal country of operation	Issued and paid-up capital	Percentage of ownership interest/voting power		Principal activities
			2023	2022	
Lizan Development Co., Limited	Hong Kong/ Hong Kong	HK\$10,000	100%	100%	Investment holding
Pine Group Hong Kong Limited	Hong Kong/ Hong Kong	HK\$2	85%	85%	Investment holding
Pine Group Limited	BVI/Hong Kong	US\$10,000 Common shares and US\$2,995,729 Class A shares	85%	85%	Investment holding
Pine Technology Limited	Hong Kong/ Hong Kong	HK\$3	85%	85%	Wholesale and distribution of computer components
PINE Technology (BVI) Limited (Note (a))	BVI/Hong Kong	US\$11,500	85%	85%	Investment holding
Pineview Industries Limited (Note (b))	Hong Kong/ Hong Kong	HK\$1,000 Ordinary shares and HK\$2,400,000 Non-voting 5% deferred shares	85%	85%	Provision of products and other facilities to group companies
Rong Xin Finance Limited	Hong Kong/ Hong Kong	HK\$10,000	100%	100%	Investment holding
Talent Crest Limited	Samoa/ Hong Kong	US\$100	100%	100%	Investment holding
Eternal Abundant Limited	BVI/Hong Kong	RMB63,831	100%	100%	Investment holding
Soaring Eagle Technology Limited	BVI/Hong Kong	RMB2,191,576	60%	60%	Investment holding
China UIP Information Technology Co., Limited (Note (c))	PRC/PRC	RMB14,898,780	60%	60%	Computer software and hardware and system development service
Taiyuan Real Talent Technology Limited (Note (c))	PRC/PRC	RMB1,000,000	100%	100%	Wholesale and distribution of electronic products and trading of plastic products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Notes:

- (a) The Company directly holds 85% (2022: 85%) of equity interest in PINE Technology (BVI) Limited and 100% (2022: 100%) of equity interest in Colour Stream Holdings Limited. The interests of all other companies are indirectly held by the Company.
- (b) Deferred shares of Pineview Industries Limited amounting to HK\$1,800,000 are not held by the Group. The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the company only after the distribution of HK\$1,000 million, as specified in the Articles of Association, to holders of ordinary shares.
- (c) These subsidiaries are wholly foreign-owned enterprises registered in the PRC.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the result of the Group.

None of the subsidiaries had any debt securities outstanding at 30 June 2023 and 30 June 2022 or at any time during the current and prior years.

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name	PINE Technology (BVI) Limited	Soaring Eagle Technology Limited
Principal place of business/ country of incorporation	Hong Kong/BVI	Hong Kong/BVI
% of ownership interests/ voting rights held by non- controlling interests (" NCI ")	85%/15%	60%/40%

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	PINE Technology (BVI) Limited		Soaring Eagle Technology Limited	
	2023 HK\$'000	2022 HK\$'000 (Restated)	2023 HK\$'000	2022 HK\$'000 (Restated)
As at 30 June				
Current assets	315	1,100	139,312	95,252
Non-current assets	–	211	1,280	71,651
Current liabilities	(200)	(395)	(17,021)	(23,501)
Non-current liabilities	–	–	(846)	(10,429)
	115	916	122,725	132,973
Accumulated NCI	17	137	49,090	53,188
Year ended 30 June				
Revenue and other income	16	–	11,809	52,564
Loss for the year	(801)	(3,307)	(10,610)	(2,968)
Total comprehensive expense for the year	(801)	(3,198)	(10,248)	(2,982)
Total comprehensive expense attributable to NCI	(120)	(480)	(4,099)	(1,192)
Net cash outflow from operating activities	(596)	(3,549)	(14,150)	(34,254)
Net cash outflow from investing activities	–	–	–	(62)
Net cash inflow from financing activities	–	–	14,820	5,803
Net cash (outflow)/inflow	(596)	(3,549)	670	(28,513)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

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

	Loans from a director HK\$'000	Lease liabilities HK\$'000	Bank borrowings HK\$'000	Other borrowings HK\$'000	Total HK\$'000
At 30 June 2021 and 1 July 2021 (Restated)	–	2,269	11,670	–	13,939
Change in cash flows					
– Operating activities (Restated)	–	(141)	–	(48)	(189)
– Financing activities (Restated)	1,703	(1,560)	(6,225)	–	(6,082)
Non-cash transactions					
– Interest expenses (Note 8) (Restated)	–	141	554	48	743
– Exchange adjustments (Restated)	–	–	(126)	–	(126)
At 30 June 2022 and 1 July 2022 (Restated)	1,703	709	5,873	–	8,285
Change in cash flows					
– Operating activities	–	(101)	–	–	(101)
– Financing activities	(1,417)	(1,235)	(4,609)	–	(7,261)
Non-cash transactions					
– Interest expenses (Note 8)	–	101	103	–	204
– New leases	–	2,025	–	–	2,025
At 30 June 2023	286	1,499	1,367	–	3,152

33. DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2023

During the year, the Company disposed of the entire interests in its subsidiaries, Pine Da Hui (Shanghai) International Trading Co. Ltd. and Shanghai Captain DaHui International Trading Co., Ltd. Analysis of assets and liabilities over which control was lost:

	HK\$'000
Trade and other receivables	8
Tax recoverable	7
Bank balances and cash	3
Trade and other payables	(327)
Net liabilities disposed of	(309)
Loss on disposal of subsidiaries	
Consideration receivable	1
Non-controlling interests	(1,493)
Less: Net liabilities disposed of	309
	(1,183)
Net cash outflow arising from disposal of subsidiaries	
Cash consideration received	-
Less: bank balances and cash disposed of	(3)
	(3)

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 September 2023.

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 30 June				2023 HK\$'000
	2019	2020	2021	2022	
	HK\$'000 (Restated) [#]	HK\$'000 (Restated) [#]	HK\$'000 (Restated) [#]	HK\$'000 (Restated) [#]	
RESULTS					
Continuing operations					
Revenue	1,303,146	853,211	95,308	51,776	46,993
Cost of sales	(1,431,409)	(863,070)	(61,051)	(47,321)	(48,261)
Gross (loss)/profit	(128,263)	(9,859)	34,257	4,455	(1,268)
Other income	1,864	2,348	1,950	484	605
Selling and distribution expenses	(24,944)	(21,887)	(2,223)	(2,227)	(2,547)
General and administrative expenses	(114,754)	(92,009)	(56,839)	(32,919)	(30,038)
Other gains and losses, net	(71,401)	(25,178)	7,543	(45,310)	(84,333)
Finance costs	(3,970)	(2,707)	(1,264)	(743)	(204)
Loss before income tax	(341,468)	(149,292)	(16,576)	(76,260)	(117,785)
Income tax credit/(expense)	2,176	(881)	265	1,512	10,298
Loss for the year from continuing operations	(339,292)	(150,173)	(16,311)	(74,748)	(107,487)
Discontinued operation					
(Loss)/profit for the year from discontinued operation*	–	–	–	8,892	(102)
Loss for the year	(339,292)	(150,173)	(16,311)	(65,856)	(107,589)
As at 30 June					
	2019	2020	2021	2022	2023
	HK\$'000 (Restated) [#]	HK\$'000 (Restated) [#]	HK\$'000 (Restated) [#]	HK\$'000 (Restated) [#]	HK\$'000
ASSETS, LIABILITIES AND EQUITY					
Total assets	724,659	332,974	308,998	233,916	107,606
Total liabilities	(318,022)	(58,141)	(48,533)	(40,180)	(22,222)
	406,637	274,833	260,465	193,736	85,384
Equity attributable to owners of the Company	358,800	224,890	206,952	141,903	36,277

[#] The amounts are restated to reflect the change of presentation currency as detailed in Note 1 to the consolidated financial statements.

* The amounts for the years ended 30 June 2019 to 2021 have not been restated in respect of the discontinued operation as the management of the Company considers that the impact is not significant.

PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司 *

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(於百慕達註冊成立之有限公司)

STOCK CODE 股份代號 1079

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