

ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370



2021

Second Interim Report

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

FINANCIAL RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and the twelve months ended 31 December 2021, together with the comparative audited figures for Year 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND THE TWELVE MONTHS ENDED 31 DECEMBER 2021

		Ended 31 December Three months 2021 RMB'000 (Unaudited)	December Three months 2020 RMB'000 (Unaudited)	Ended 31 December Twelve months 2021 RMB'000 Restated (Unaudited)	Year 2020 RMB'000 (Audited)
Revenue	5	25,441	23,988	74,296	82,419
Cost of sales		(25,222)	(30,513)	(71,689)	(76,528)
Gross profit		219	(6,525)	2,607	5,891
Other income	6	1,666	1,476	5,511	3,808
Selling and distribution expenses		(2,300)	(2,091)	(7,958)	(8,675)
Administrative and other expenses		(7,085)	(4,107)	(29,902)	(22,589)
Impairment loss on trade and other receivables		(3,006)	(200)	(6,209)	(1,515)
Finance costs	7	(2,208)	(695)	(5,043)	(4,576)
Loss before income tax		(12,714)	(12,142)	(40,994)	(27,656)
Income tax credit	8	679	573	1,606	703
Loss for the period attributable to the owners of the Company		(12,035)	(11,569)	(39,388)	(26,953)
Other comprehensive income/ (loss) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		972	(546)	935	(824)
Total comprehensive loss for the period attributable to the owners of the Company		(11,063)	(12,115)	(38,453)	(27,777)
Loss per share	10				
— Basic and diluted (RMB cents)		(1.33)	(1.28)	(4.34)	(2.98)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		31 December 2021	31 December 2020
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		45,105	46,899
Right-of-use assets		23,072	37,613
Intangible asset		2,644	8,251
Long-term loan receivables		50,000	–
Goodwill		30,827	30,827
Total non-current assets		151,648	123,590
Current assets			
Inventories		12,391	15,667
Contract assets		2,502	2,668
Trade, lease and other receivables	11	45,996	58,820
Cash and cash equivalents		45,471	64,552
Total current assets		106,360	141,707
Total assets		258,008	265,297
Current liabilities			
Contract liabilities		8,519	2,882
Trade and other payables	12	28,526	21,156
Bank borrowings		–	30,000
Lease liabilities		4,949	14,861
Convertible bonds		819	–
Tax payable		23	2
Total current liabilities		42,836	68,901
Net current assets		63,524	72,806
Total assets less current liabilities		215,172	196,396

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	31 December 2021	31 December 2020
<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	5,486	10,088
Convertible bonds	57,611	7,041
Deferred tax liabilities	5,405	7,044
Total non-current liabilities	68,502	24,173
Total liabilities	111,338	93,074
NET ASSETS	146,670	172,223
EQUITY		
Equity attributable to the owners of the Company		
Share capital	8,016	8,016
Reserves	138,654	164,207
TOTAL EQUITY	146,670	172,223

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

	Share capital	Share premium	Convertible bond equity reserve	Share option reserve	Other reserve	Statutory reserve	Foreign exchange reserve	Retained earnings/ (Accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020									
(Audited, restated)	7,100	163,826	-	-	(11,131)	4,158	(8,579)	13,003	168,377
Loss for the period	-	-	-	-	-	-	-	(26,953)	(26,953)
Other comprehensive income:									
Exchange difference on translating foreign operations	-	-	-	-	-	-	(824)	-	(824)
Total comprehensive expense for the period	-	-	-	-	-	-	(824)	(26,953)	(27,777)
Issue of consideration shares	916	23,370	-	-	-	-	-	-	24,286
Issue of convertible bonds	-	-	7,337	-	-	-	-	-	7,337
Transfer to statutory reserve	-	-	-	-	-	340	-	(340)	-
As at 31 December 2020									
(Audited)	8,016	187,196	7,337	-	(11,131)	4,498	(9,403)	(14,290)	172,223
As at 1 January 2021									
(Audited)	8,016	187,196	7,337	-	(11,131)	4,498	(9,403)	(14,290)	172,223
Loss for the period	-	-	-	-	-	-	-	(39,388)	(39,388)
Other comprehensive income:									
Exchange difference on translating foreign operations	-	-	-	-	-	-	935	-	935
Total comprehensive expense for the period	-	-	-	-	-	-	935	(39,388)	(38,453)
Recognition of equity-settled share-based payment expense (Note 13)	-	-	-	11,838	-	-	-	-	11,838
Issue of convertible bonds (Note 14)	-	-	1,062	-	-	-	-	-	1,062
Transfer to statutory reserve	-	-	-	-	-	74	-	(74)	-
As at 31 December 2021									
(Unaudited)	8,016	187,196	8,399	11,838	(11,131)	4,572	(8,468)	(53,752)	146,670

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

	Ended 31 December	
	Twelve months	Year
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash flows from operating activities		
Loss before income tax	(40,994)	(27,656)
Adjustments for:		
Depreciation of right-of-use assets	14,818	14,533
Depreciation of property, plant and equipment	4,401	3,896
Amortisation of intangible assets	5,607	5,373
Loss on write-off and disposal of property, plant and equipment	43	2
Write-down of inventories to net realisable value	3,628	4,756
Impairment loss on trade and other receivables	6,209	1,515
Write-off of trade and other receivables	–	3,036
Impairment loss on property, plant and equipment	–	822
Impairment loss on right-of-use assets	–	38
Recognition of equity-settled share-based payment expense	11,817	–
Bank interest income	(89)	(23)
Covid-19-related rent concession received	–	(172)
Fair value changes on financial assets at fair value through profit or loss	(52)	–
Dividend income from financial assets at fair value through profit or loss	(593)	(395)
Interest income from other receivables	(2,090)	(2,302)
Interest income arising from unwinding contract assets with significant financing component	(172)	(232)
Gain on lease termination	–	(116)
Finance costs	5,043	4,576

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

	Ended 31 December	
	Twelve months	Year
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Operating profit before working capital changes	7,576	7,651
(Increase)/decrease in inventories	(352)	1,188
Decrease in contract assets	338	996
Decrease/(increase) in trade and other receivables	8,163	(14,576)
Increase/(decrease) in contract liabilities	5,637	(928)
Increase/(decrease) in trade and other payables	7,370	(2,970)
Cash generated from/used in operations	28,732	(8,639)
Income tax paid	(12)	–
Bank interest received	89	23
Net cash generated from/used in operating activities	28,809	(8,616)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	(5,000)	–
Redemption of financial assets at fair value through profit of loss	5,052	4,115
Purchase of debt instruments at amortised cost	(14,200)	(14,000)
Redemption of debt instruments at amortised cost	14,000	19,000
(Increase)/decrease in loan receivables	(50,000)	(731)
Interest received	1,336	2,697
Purchase of property, plant and equipment	(2,663)	(53)
Proceeds from disposal of property, plant and equipment	13	4
Net cash inflow from acquisition of a subsidiary	–	948
Net cash used in/generated from investing activities	(51,462)	11,980

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

	Ended 31 December	
	Twelve months	Year
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash flows from financing activities		
Proceeds from issue of convertible bonds upon the placing, net of transaction costs	50,054	–
Proceeds from bank borrowings	–	30,000
Repayment of bank borrowings	(30,000)	–
Interest paid on bank borrowings	(66)	(1,630)
Repayment of principal portion of lease liabilities	(14,791)	(12,986)
Interest paid on lease liabilities	(1,199)	(2,074)
Net cash generated from financing activities	3,998	13,310
Net (decrease)/increase in cash and cash equivalents	(18,655)	16,674
Cash and cash equivalents at the beginning of the period	64,552	49,079
Effect of foreign exchange rate changes on cash and cash equivalents	(426)	(1,201)
Cash and cash equivalents at the end of the period	45,471	64,552
Analysis of balances of cash and cash equivalents		
Cash and bank balances at the end of the period	45,471	64,552

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Group is principally engaged in the manufacture and sales of furniture products in the PRC; and started to engage in data centre business in the PRC and Hong Kong from January 2020.

The shares of the Company were listed on GEM on 20 January 2017.

2. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to the resolution of the Board of the Company dated 17 November 2021, the financial year end date of the Company has been changed from 31 December to 30 June. Accordingly, the next published audited financial statements of the Group will cover 18 months' period from 1 January 2021 to 30 June 2022. Therefore, the financial period of this interim report covers the twelve months ended 31 December 2021 and comparable data covers the year ended 31 December 2020.

3. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the twelve months ended 31 December 2020 and 2021 have been prepared in accordance with the Hong Kong Accounting Standard 34 ("HKAS34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

Other than the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective during the accounting period from 1 January 2021, the basis of preparation and accounting policies adopted in the preparation of such unaudited condensed consolidated financial statements are the same as those followed in the preparation of the financial statements of the Group for the year ended 31 December 2020.

The adoption of the new and revised HKFRSs has no material impact on such unaudited condensed consolidated financial statements. The Group has not early adopted the new and revised HKFRSs which have been issued but not yet effective during the current accounting period of the Group.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

4. SEGMENT REPORTING

The operating segments are determined with reference to the reports and financial information reviewed by the Company's executive Directors responsible for financial and accounting matters for the purpose of performance assessment and resource allocation.

For the twelve months ended 31 December 2021 (the "Reporting Period"), the Group has two reportable segments, which are manufacture and sale of furniture products and data centre business. The following summarises the operation of each reportable segment of the Group:

- Manufacture and sale of furniture products segment — manufacture and sale of furniture products in the PRC for selling to the domestic PRC market; and
- Data centre segment — data centre business in the PRC and Hong Kong.

(a) Reportable segment revenue and results

	Office furniture		Data centre		Total	
	Ended 31 December		Ended 31 December		Ended 31 December	
	Twelve months	Year	Twelve months	Year	Twelve months	Year
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment revenue						
Sale of office furniture products	50,592	57,692	-	-	50,592	57,692
Information technology management service	-	-	2,291	294	2,291	294
Internet access connection service	-	-	537	574	537	574
Data centre operating and security service	-	-	1,238	2,625	1,238	2,625
Rental of server racks	-	-	19,638	21,234	19,638	21,234
	50,592	57,692	23,704	24,727	74,296	82,419
Segment results	(21,027)	(20,087)	(3,451)	(3,655)	(24,478)	(23,742)
Unallocated expenses*					(13,940)	(3,048)
Interest income					1,203	6
Interest expense on convertible bonds					(3,779)	(872)
Loss before income tax					(40,994)	(27,656)

- * Unallocated expenses comprised mainly of the expenses of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

(b) Reportable segment assets and liabilities

	Office furniture		Data centre		Total	
	Ended 31 December		Ended 31 December		Ended 31 December	
	Twelve		Twelve		Twelve	
	months	Year	months	Year	months	Year
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets [△]	129,253	176,296	75,115	78,057	204,368	254,353
Cash and cash equivalents					2,409	10,756
Long-term loan receivables					50,000	-
Unallocated corporate assets [△]					1,231	188
					258,008	265,297
Segment liabilities ^{△△}	(24,371)	(46,726)	(27,121)	(38,654)	(51,492)	(85,380)
Convertible bonds					(58,430)	(7,041)
Unallocated corporate liabilities ^{△△}					(1,416)	(653)
					(111,338)	(93,074)

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

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

(c) Other segment information

	Office furniture		Data centre		Unallocated		Total	
	Ended 31 December		Ended 31 December		Ended 31 December		Ended 31 December	
	Twelve months		Twelve months		Twelve months		Twelve months	
	2021	Year 2020	2021	Year 2020	2021	Year 2020	2021	Year 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Bank interest income	37	4	51	15	1	4	89	23
Interest income from other receivables	-	2,302	887	-	1,203	-	2,090	2,302
Interest income arising from unwinding contract assets with significant financing component	172	232	-	-	-	-	172	232
Interest expense on bank borrowings	66	1,630	-	-	-	-	66	1,630
Interest expense on lease liabilities	27	41	1,171	2,033	-	-	1,198	2,074
Interest expense on convertible bonds	-	-	-	-	3,779	872	3,779	872
Amortisation of intangible assets	-	-	5,607	5,373	-	-	5,607	5,373
Depreciation of right-of-use assets	784	711	14,034	13,822	-	-	14,818	14,533
Depreciation of property, plant and equipment	4,401	3,896	-	-	-	-	4,401	3,896
Loss on write-off and disposal of property, plant and equipment	43	2	-	-	-	-	43	2
Impairment loss on property, plant and equipment	-	822	-	-	-	-	-	822
Impairment loss on right-of-use assets	-	38	-	-	-	-	-	38
Impairment loss on trade and other receivables	6,209	1,475	-	40	-	-	6,209	1,515
Write-off of trade and other receivables	-	3,036	-	-	-	-	-	3,036
Addition to intangible assets through business combination	-	-	-	13,624	-	-	-	13,624
Addition to property, plant and equipment	2,663	53	-	-	-	-	2,663	53
Addition to right-of-use assets	277	865	-	-	-	-	277	865
Addition to right-of-use assets through business combination	-	-	-	36,343	-	-	-	36,343
Recognition of equity-settled share-based payment expense	-	-	-	-	11,817	-	11,817	-

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

(d) **Geographical information**

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

	Ended 31 December		Ended 31 December	
	Three months	Three months	Twelve months	Year 2020
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue from external customers				
The PRC	25,429	23,694	72,005	82,125
Hong Kong, the PRC	12	294	2,291	294
	25,441	23,988	74,296	82,419

The geographical location of revenue allocated is based on the location at which the goods were delivered and the service was rendered. No geographical location of non-current assets is presented as all of the Group's non-current assets are physically based in the PRC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

(e) **Information about major customer**

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue. During the Reporting Period, revenue attributed to Customer A, Customer B, Customer C and Customer D from the manufacture and sale of furniture products segment is as follows:

	Ended 31 December		Ended 31 December		From reporting segment
	Three months	Three months	Twelve months	Year 2020	
	2021	2020	2021	Year 2020	
	RMB'000	RMB'000	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
Customer A	4,686	-	N/A	-	Manufacture and sale of furniture products
Customer B	3,185	-	N/A	-	Manufacture and sale of furniture products
Customer C	-	2,420	-	N/A	Manufacture and sale of furniture products
Customer D	N/A	N/A	N/A	8,395	Manufacture and sale of furniture products

N/A: represents transactions during the Reporting Period which did not exceed 10% of the Group's revenue.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

5. REVENUE

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
Revenue from contracts with customer within the scope of HKFRS 15				
Sale of furniture products	20,191	17,739	50,592	57,692
Information technology management service	4	294	2,291	294
Internet access connection service	102	72	537	574
Data centre operating and security service	258	755	1,238	2,625
	20,555	18,860	54,658	61,185
Revenue from other sources				
Rental of server racks	4,886	5,128	19,638	21,234
	25,441	23,988	74,296	82,419

Disaggregation of the Group's revenue from contracts with customer within the scope of HKFRS 15 by the timing of revenue recognition is as follows:

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
Timing of revenue recognition				
At a point in time	20,191	17,739	50,592	57,692
Over time	364	1,121	4,066	3,493
	20,555	18,860	54,658	61,185

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

The Group's revenue is divided into two parts by reporting segment: sale of furniture products and data centre business. In order to more reasonably reflect the data centre business, the income and cost of buildout management agreement service in this report were separated from "revenue" and "cost of sales" and presented in "net income from buildout management agreement service" under "other income" on the basis of its net income and cost, with an analysis as follows:

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
Sale of furniture products	20,191	17,739	50,592	57,692
Data centre business	5,250	6,249	23,704	24,727
	25,441	23,988	74,296	82,419

6. OTHER INCOME

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 Restated (Unaudited)	Year 2020 RMB'000 (Audited)
Interest income arising from unwinding contract assets with significant financing components	37	81	172	232
Bank interest income	24	(22)	89	23
Exchange gain, net	-	1	-	1
Interest income from other receivables	1,574	861	2,090	2,302
Dividend income from financial assets at fair value through profit or loss	183	62	593	395
Fair value changes on financial assets at fair value through profit or loss	-	(128)	52	-
Subsidy income	15	170	232	404
Covid-19-related rent concession	-	172	-	172
Net income from buildout management agreement service	(167)	-	2,283	-
Gain on lease termination	-	116	-	116
Others	-	163	-	163
	1,666	1,476	5,511	3,808

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

7. FINANCE COSTS

	Ended 31 December		Ended 31 December	
	Three months	Three months	Twelve months	Year 2020
	2021	2020	2021	Year 2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest expense on bank borrowings	–	428	66	1,630
Interest expense on lease liabilities	203	(167)	1,198	2,074
Interest expense on convertible bonds	2,005	434	3,779	872
	2,208	695	5,043	4,576

8. INCOME TAX CREDIT

	Ended 31 December		Ended 31 December	
	Three months	Three months	Twelve months	Year 2020
	2021	2020	2021	Year 2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Current tax				
— Tax for the period	(269)	1	34	1
Deferred tax				
— Current period	(410)	(574)	(1,640)	(704)
	(679)	(573)	(1,606)	(703)

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

During the Reporting Period and the same period last year, no Hong Kong profit tax was provided in the consolidated financial statements.

Provision for the enterprise income tax in the PRC is calculated on a statutory tax rate of 25% of the estimated assessable profit as determined in accordance with the relevant income tax law in the PRC. During the Reporting Period and the same period last year, certain subsidiaries provided for enterprise income tax, apart from those subsidiaries, the other subsidiaries recorded loss or derived profits which is not subject to enterprise income tax due to the compensation for the loss of the previous years.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the twelve months ended 31 December 2021 (Year 2020: nil). No shareholder has agreed to waive dividends.

10. LOSS PER SHARE

The loss per share is calculated by dividing loss attributable to the owners of the Company by the weighted average number of 907,333,333 and 903,086,758 ordinary shares in issue for the twelve months ended 31 December 2021 and Year 2020.

	Ended 31 December		Ended 31 December	
	Three months 2021	Three months 2020	Twelve months 2021	Year 2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The loss used to calculate the basic loss per share	(12,035)	(11,569)	(39,388)	(26,953)

	'000 shares	'000 shares	'000 shares	'000 shares
Number of shares used to calculate the basic loss per share	907,333	907,333	907,333	903,087

Note: The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the twelve months ended 31 December 2021 of approximately RMB39.388 million (same period last year: a loss of approximately RMB26.953 million), and on the weighted average number of 907,333,333 ordinary shares of the Company in issue (903,086,758 ordinary shares of the Company in issue for the same period last year).

Convertible bonds and share options which remained outstanding during both years have anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

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FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

11. TRADE, LEASE AND OTHER RECEIVABLES

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables (Note (a))	12,955	13,476
Lease receivables (Note (b))	2,472	2,010
Other receivables (Note (c))	15,004	15,490
Deposits	2,118	836
Prepayments (Note (d))	23,833	31,184
	56,382	62,996
Less: loss allowances	(10,386)	(4,176)
	45,996	58,820

(a) Trade receivables

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total trade receivables	12,955	13,476
Less: loss allowances	(6,752)	(3,679)
Trade receivables, net	6,203	9,797

As at 31 December 2021, included in total trade receivables are trade receivables of RMB9,683,000 and QAD receivables of RMB1,546,000 from office furniture segment. The credit period granted to customers on product sales normally varies according to the terms of the contract, ranging from 30 days or up to 180 days from the invoice date.

Included in total trade receivables are trade receivables of RMB1,726,000 from data centre segment. The credit periods on service contracts with customers are normally within 30 days or up to 180 days from the invoice date, depending on the terms of the contracts.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

The ageing analysis of trade receivables as of the end of the Reporting Period, based on invoice dates, is as follows:

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	3,071	7,545
More than 3 months	9,884	5,931
	12,955	13,476

The ageing analysis of trade receivables as of the end of the Reporting Period, based on past due dates and net of loss allowances, is as follows:

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current (not past due)	3,252	3,523
Less than 1 month past due	1,130	1,120
1 to 3 months past due	792	3,406
More than 3 months but less than 6 months past due	176	426
More than 6 months past due	853	1,322
	6,203	9,797

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

The changes in the loss allowances on trade receivables are as follows:

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
At the beginning of the year	3,679	2,661
Loss allowance recognised during the year	3,073	1,018
At the end of the year (period)	6,752	3,679

As at 31 December 2021 and 31 December 2020, the Group applied simplified approach to measure lifetime expected credit losses (“ECLs”) on the Group’s trade receivables for office furniture segment of RMB14,779,000 (2020: RMB11,615,000) using a provision matrix.

The following table provides information about the Group’s exposure to credit risk and ECLs on trade receivables as at the end of the Reporting Period.

As at 31 December 2021

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Current (not past due)	0.4	1,531	5	1,526
Less than 1 month past due	0.4	1,134	5	1,129
1 to 3 months past due	8	861	69	792
More than 3 months but less than 6 months past due	13.6	204	28	176
More than 6 months past due	97.6	5,952	5,810	141
		9,682	5,917	3,765

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As at 31 December 2020

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Current (not past due)	0.4	3,209	12	3,197
Less than 1 month past due	0.4	830	3	827
1 to 3 months past due	8	3,650	292	3,358
More than 3 months but less than 6 months past due	13.6	493	67	426
More than 6 months past due	73.5	3,433	2,523	910
		11,615	2,897	8,718

As at 31 December 2021, the Group applied simplified approach to measure lifetime ECLs on (1) the Group's QAD receivables for office furniture segment of RMB1,546,000 using probability-default model. The ECL rate was 54.0% and the loss allowance as at the end of the Reporting Period was RMB835,000; and (2) the Group's trade receivables for data centre segment of RMB1,726,000 using probability-default model. Since ECLs were immaterial, no loss allowance was made during the Reporting Period.

(b) Lease receivables

The Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB2,472,000 using probability-default model. Since ECLs were immaterial, no loss allowance was made during the Reporting Period.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

(c) Other receivables

- (i) As at 31 December 2020, among the other receivables, two debt instruments at amortised cost of RMB5,000,000 and RMB5,000,000 with respective interest receivables of RMB103,000 and RMB46,000 were due from two financial institutions in the PRC. The balances were unsecured, interest-bearing at 7.6% per annum and repayable in six months.
- (ii) As at 31 December 2020, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB16,326,000 using probability-default model and made loss allowance of RMB497,000 during the year.
- (iii) As at 31 December 2021, among the other receivables, two debt instruments at amortised cost of RMB5,000,000 and RMB 5,200,000 with respective interest receivables of RMB294,582 were due from two financial institutions in the PRC. The balances were unsecured, interest-bearing at 7.1% per annum and repayable in three months.
- (iv) As at 31 December 2021, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB17,122,000 using probability-default model and made loss allowance of RMB69,000 during the Reporting Period. Accumulated loss allowance amounted to RMB566,000.

(d) Prepayments

As at 31 December 2021, the prepayments of approximately RMB23,470,000 (2020: RMB29,546,000) were prepayments provided for the suppliers in respect of the purchase of raw materials or auxiliary furniture.

During the Reporting Period, the Group applied general approach to measure ECLs on the abovementioned prepayments using probability-default model and made loss allowance of RMB3,068,000 during the Reporting Period (2020: RMB nil).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

12. TRADE AND OTHER PAYABLES

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables (Note (a))	8,945	7,465
Other payables and accruals (Note (b))	15,816	10,039
Other tax payables	3,765	3,652
	28,526	21,156

(a) Trade payables

As of the end of the Reporting Period, the ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	5,946	4,779
More than 3 months	2,999	2,686
	8,945	7,465

(b) Other payables and accruals

As at 31 December 2021, included in other payables is an amount due to the former registered owner of the Group's subsidiary of RMB5,665,000. The amount was unsecured, interest-free and repayable on demand (31 December 2020: RMB6,665,000). During the Reporting Period, the increase in other payables mainly comprised current account received and paid in respect of buildout project entrustment of the joint venture in a total of RMB4,719,000.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

13. SHARE OPTION SCHEME

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

On 2 June 2021, the Company entered into the Share Option Deed with Mr. Lai Ningning (“**Mr. Lai**”), pursuant to which the Company has conditionally agreed to grant the Options to Mr. Lai in the consideration of HK\$1.00, exercisable within the Option Period, such that Mr. Lai shall be entitled to require the Company to allot and issue up to a maximum of 100,000,000 Subscription Shares at the Subscription Price upon and subject to the terms set out in the Share Option Deed.

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

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

The following illustrates the changes of shareholding of the Company for the Reporting Period resulting from the Share Option Deed:

Name of category of participant	Date of grant	Exercise price	Outstanding at 1 January 2021	Granted during the Reporting Period of the year	Exercised during the Reporting Period of the year	Lapsed during the Reporting Period of the year	Outstanding at 31 December 2021
Mr. Lai (Director)	2 August 2021	HK\$0.35	-	100,000,000	-	-	100,000,000

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

(a) **Fair value of Share Option Deed and assumptions**

The fair value of the Share Option Deed granted is measured at the date of grant, using the binomial option pricing model, taking into account the terms and conditions of the transactions. The inputs used in the calculation of the fair value of the share options are as follows:

Date of grant	Fair value at the date of grant HK\$ per share option	The closing price of the Company's shares quoted on the Stock Exchange at the date of grant HK\$ per share	Exercise Price HK\$ per share	Risk-free interest rate	Expected Volatility	Expected life	Expected dividend yield

Calculation of the value of the Share Option Deed is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

For the twelve months ended 31 December 2021, the fair value of the Share Option Deed granted by the Group amounted to approximately RMB20.3 million (same period in 2020: N/A). During the Reporting Period, an equity-settled share-based payment expense of approximately RMB11.8 million (same period in 2020: N/A) was recognised by the Group.

For the twelve months ended 31 December 2021, no options were exercised and all options were exercisable.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

14. ISSUE OF CONVERTIBLE BONDS

The Company held an extraordinary general meeting on 2 August 2021 to approve, confirm and/or ratify the conditional Placing Agreement dated 2 June 2021 and entered into between the Company as issuer and Forwin Securities Group Limited as placing agent in relation to, among others, the placing of the Convertible Bonds in the aggregate principal amount of up to US\$8,000,000 convertible into shares of HK\$0.01 each in the share capital of the Company at the conversion price of HK\$0.50 per Conversion Share (subject to adjustments). The placing was completed on 6 August 2021. After deducting the placing commission, the actual net proceeds from the placing was US\$7.72 million (equivalent to approximately RMB50.1 million). For details, please refer to the announcement dated 2 June 2021, the circular dated 16 July 2021 and the announcements dated 2 August 2021 and 6 August 2021 of the Company.

The initial value of the liability component of the above convertible bonds was calculated using a market interest rate for an equivalent non-convertible bonds of the Company. During the Reporting Period, changes in the liability component of the convertible bonds were presented as follows:

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
At the beginning of the period/year	7,041	–
Increase during the period/year:		
Nominal value/non-cash consideration from issue of the convertible bonds	51,870	13,885
Less: transaction costs	(1,777)	–
Less: amount classified as equity	(1,062)	(7,337)
Liability component on initial recognition	49,031	6,548
Interest expense (non-current)	2,958	872
Interest expense (current)	819	–
Exchange realignment	(1,419)	(379)
Liability component at the end of the period/year	58,430	7,041

The effective interest rates for the interest expense on convertible bonds issued during the Reporting Period and last year by applying the liability component and being calculated using the effective interest method were 14.86% and 13.84% respectively. Of which, the interest payable of approximately RMB800,000 accrued during the Reporting Period and due on 5 February 2022 was stated in the line item of current liabilities of the balance sheet.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of furniture products and sells its products to the domestic PRC market with a large proportion of its sales derived from Sichuan province, Chongqing city and Guizhou province; the Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited ("**Sichuan Greenland**"), in Chengdu city and a branch office, Chongqing Branch Office ("**Chongqing Branch Office**") of Sichuan Greenland, in Chongqing city.

In addition, the Group started to engage in data centre business in the PRC and Hong Kong from 2020. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties.

Manufacture and sale of furniture products business

For the twelve months ended 31 December 2021, the Group's sales revenue from manufacture and sale of furniture products segment decreased by approximately 12.3% as compared to the same period last year. The impact of the novel coronavirus epidemic, which is still ravaging the world, has exceeded our previous expectations and the furniture industry is facing further reshuffle as there is a slowdown in the commercial real estate investment. As the majority of deliveries during the same period last year were for sales orders placed prior to the previous year's epidemic and there were more substantial sales orders, it was less affected by the novel coronavirus epidemic; during the Reporting Period, as the majority of potential customers were cautious in purchasing or postponing the replacement of furniture products, resulting in fewer new sales orders being signed, thus affecting product deliveries and revenue during the Reporting Period. At the same time, the Group continued to compete for more furniture orders at lower product prices to maintain effective operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre business

During the Reporting Period, the Group's revenue from the data centre segment decreased by approximately 4.1% as compared to the same period last year. Although the current revenue from the data centre segment is mainly the rental income from server rack rentals, the business is relatively stable. However, due to the pessimistic sentiment of the two-year-long COVID-19 pandemic, some customers' leases were not renewed upon expiry and new customers were unable to make up for revenue lost from the existing customers. It is now actively sourcing new customers, with each business being progressed steadily. In addition, the Group's subsidiary (Beijing Wannuotong Technology Company Limited, hereinafter referred to as "WNT") entered into the Buildout Management Agreement with a cooperating party on 1 June 2021 to commence engineering and management service as construction manager for buildout construction works and started to recognise the profit of the relevant business according to the progress of the buildout management project. In addition, one-off legal and professional fees of approximately RMB2.6 million incurred from the signing of the agreement significantly affected the results performance of the data centre segment. During the Reporting Period, apart from the amortisation expense of intangible assets of approximately RMB5.6 million, data centre segment has contributed approximately RMB23.7 million to the Group's revenue (approximately RMB24.7 million for the same period last year) and approximately RMB2.1 million to the Group's profit before income tax (approximately RMB1.7 million for the same period last year).

During the Reporting Period, the Group recorded a revenue of approximately RMB74.3 million, representing a decrease of approximately RMB8.1 million or approximately 9.9% as compared to the same period last year. During the Reporting Period, the Group recorded a loss of approximately RMB39.4 million, as compared with the loss of approximately RMB27.0 million recorded by the Group for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in loss was mainly because: during the Reporting Period, manufacture and sale of furniture products segment recorded a revenue of approximately RMB50.6 million, representing a decrease of approximately RMB7.1 million or approximately 12.3% as compared to the same period last year, and the gross profit margin was under further pressure as the Group continued to compete for more furniture orders at lower product prices to maintain effective operations during the Reporting Period, combining to result in the decrease of gross profit by approximately RMB1.7 million as compared to the same period last year. Excluding the data centre segment, the Group's business position was as follows: (1) other income decreased by approximately RMB1.5 million as compared to the same period last year; and (2) administrative and other expenses increased by approximately RMB9.7 million as compared to the same period last year, mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB11.8 million as the Company granted the Share Option Deed; (ii) a significant increase in the Group's provision for ECLs as compared to the same period last year; (iii) an increase in finance costs of approximately RMB1.3 million as compared to the same period last year; and (iv) a decrease in selling and distribution expenses of approximately RMB0.7 million as compared to the same period last year. Contribution from the data centre segment to the Group's profit before income tax increased by approximately RMB1.1 million as compared to the same period last year, offsetting the increase in part of the Group's loss.

Prospects

Looking forward, given the ever-evolving COVID-19 pandemic, majority of customers adopted a wait-and-see attitude or postponed the purchase schedule, the furniture market as a whole is still weak. The Company's current primary goal is to try its best to maintain effective operations by, including but not limited to, continuing to compete for more furniture orders at lower product prices. Nevertheless, the Group will continue to maintain its investment in product technology research and development year by year and continue to improve its product design, in order to attract new customers and retain long-term customers. The Group is still confident to leverage its strengths to further consolidate the Southwest China market, and expand beyond the Southwest China market when the conditions are appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, on 1 June 2021, WNT entered into the Buildout Management Agreement with a cooperating party, allowing the Group to further develop its data centre business networks in the PRC with new income sources over the forthcoming years. The related experience and expertise shall form part of the Group's track record and will open up more business opportunities for the Group.

On 2 June 2021, the Company (as lender) and Mega Data Investment Limited ("SPV", as borrower) entered into a conditional loan agreement in relation to a loan of up to RMB100,000,000 (HK\$ equivalent) in total in two tranches.

Details of the aforesaid Buildout Management Agreement and SPV Loan Agreement are set out in the announcement dated 2 June 2021 and the circular dated 16 July 2021 of the Company.

The Directors consider that the entering into of the aforesaid SPV Loan Agreement offers the Group a good business opportunity to have stable interest income, and the Buildout Management Agreement will enhance the earning ability of the Group in the future. As the project progressed, the Group is optimistic about the outlook of the profit contribution associated with the buildout management project, and it contributes positively to the earnings and assets of the Group for the forthcoming years.

We will continue to actively seek and explore more good opportunities for development, and believe that our entry into the data centre business will enable the Group to maximise its corporate value for the benefit of our shareholders.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB74.3 million, representing a decrease of approximately RMB8.1 million or approximately 9.9% as compared to the same period last year. Of which:

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacture and sale of furniture products segment: during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB50.6 million, representing a decrease of approximately RMB7.1 million or approximately 12.3% as compared to the same period last year, which was mainly attributable to the facts that:

- (i) Revenue from Guangdong Province decreased by approximately RMB4.7 million or 97.6% as compared to the same period last year, mainly due to the realisation of revenue of approximately RMB4.8 million from a newly contracted financial institution customer during the same period last year, as most of the orders from this customer were delivered and revenue was realised before the Reporting Period, resulting in the realisation of revenue of only approximately RMB0.12 million from this customer during the Reporting Period; revenue from Beijing and Zhejiang Province increased by approximately RMB0.9 million and RMB0.5 million respectively during the Reporting Period, which compensated to a certain extent for the decrease in revenue from manufacture and sale of furniture products segment;
- (ii) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing increased slightly by approximately RMB0.1 million or 0.2% as compared to the same period last year. During the Reporting Period, revenue from Sichuan Province and Chongqing City increased by 5.5% and 2.7% respectively as compared to the same period last year, but all three other provinces and regions in Southwest China experienced larger revenue declines as compared to the same period last year, among which, revenue from Guizhou Province, Yunnan Province and Tibet Region decreased by 50.6%, 70.8% and 15.9% respectively as compared to the same period last year. The revenue growth of Sichuan Province was mainly attributable to the Company's adaptation to local conditions and its focus on local cultivation in Sichuan. During the Reporting Period, five new major customers in Sichuan Province realised a total revenue of approximately RMB15.6 million. Due to the large sales base in Sichuan Province and Chongqing City, the amount of revenue growth slightly exceeded the sales decline in the other three provinces and regions and achieved a year-on-year growth; and
- (iii) Revenue from Chongqing Branch Office was approximately RMB4.1 million during the Reporting Period, representing a decrease of approximately RMB3.6 million or 46.3% as compared to the same period last year. Due to very weak sales demand and fierce competition, revenue from this branch office has declined rapidly since the second quarter and the Company is trying to reverse the unfavourable situation as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: Data centre segment realised a revenue of approximately RMB23.7 million during the Reporting Period, representing a decrease of approximately RMB1.0 million or approximately 4.1% as compared to the same period last year. In order to more reasonably reflect the data centre business, the income and cost of buildout management agreement service in this report were separated from “revenue” and “cost of sales” and presented in “net income from buildout management agreement service” under “other income” on the basis of its net income and cost, therefore, the revenue of the data centre only reflects the revenue of the existing business. Due to the impact of COVID-19 pandemic, some customers’ leases were not renewed upon expiry and new customers were unable to make up for revenue lost from the existing customers, both of which were the main reasons for the slight decrease in revenue of the data centre segment.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; and (iv) production or operation overheads such as depreciation, amortisation of intangible assets, utilities bills, maintenance fee and rent. The Group’s cost of sales for the Reporting Period was approximately RMB71.7 million, representing a decrease of approximately RMB4.8 million or 6.3% over that of approximately RMB76.5 million for the same period last year. Of which:

Manufacture and sale of furniture products segment: cost of sales for the Reporting Period was approximately RMB47.9 million, representing a decrease of approximately RMB5.4 million or 10.2% as compared to the same period last year. Decrease in cost of sales was driven by the decrease in sales, but the decrease in cost of sales was less than the decrease in revenue, resulting in a larger decrease in gross profit margin. Based on the composition analysis of cost of sales, of which: (i) the cost of raw materials used and products purchased decreased by approximately RMB6.2 million (the direct write-off of inventory disposal loss was approximately RMB3.5 million for the same period last year, and the decrease in cost of sales was offset by the increase in the provision for loss of inventories during the Reporting Period by approximately RMB2.4 million as compared to the same period last year); (ii) wages of production staff increased by approximately RMB0.5 million; and (iii) other production expenses increased by approximately RMB0.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: cost of sales for the Reporting Period was approximately RMB23.8 million, representing an increase of approximately RMB0.6 million or 2.6%, mainly due to the amortisation of the “intangible assets arising from the acquisition of the data centre” of approximately RMB5.6 million recorded as cost of sales, representing an increase of approximately RMB0.23 million as compared to the same period last year, followed by an increase in wages and other overhead costs. As mentioned above, the cost of sales of the data centre for the Reporting Period will no longer include the cost of buildout management agreement service.

Gross profit

Gross profit decreased to approximately RMB2.6 million for the Reporting Period from approximately RMB5.9 million for the same period last year. Of which:

Manufacture and sale of furniture products segment: gross profit for the Reporting Period decreased by approximately RMB1.7 million or 38.0% as compared to the same period last year. The gross profit margin of furniture products decreased from approximately 7.5% for the same period last year to approximately 5.3% for the Reporting Period. The decrease in gross profit margin was mainly attributable to: the decrease in cost of sales as a result of decrease in sales while the decrease in cost of sales was less than the decrease in revenue, resulting in a greater decrease in gross margin. As a result of the weakening of overall demand, intensified market competition and the impact of the novel coronavirus epidemic, customers have become more cautious in purchasing or replacing furnitures. The Group continues to compete for more orders at lower product prices in order to maintain effective operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: gross profit for the Reporting Period decreased by approximately RMB1.6 million or 106.1% as compared to the same period last year. The decrease in gross profit margin from approximately 6.2% for the same period last year to approximately -0.4% for the Reporting Period was mainly attributable to the fact that: (i) the amortisation of the “intangible assets arising from the acquisition of the data centre” of approximately RMB5.6 million was recorded as cost of sales in accordance with the auditors’ opinion, representing an increase of approximately RMB0.23 million as compared to the same period last year; and (ii) the gross profit for the Reporting Period decreased as a result of a decrease in revenue of approximately RMB1.0 million as compared to the same period last year, as well as an increase in wages and other overhead costs.

Other income

During the Reporting Period, the Group’s other income amounted to approximately RMB5.5 million, representing an increase of approximately 44.7% as compared to that of approximately RMB3.8 million for the same period last year, which was mainly attributable to the fact that: (i) as mentioned above, other income for the Reporting Period increased by approximately RMB2.3 million as a result of the inclusion of income and cost of buildout management agreement service in “other income” on a net credit basis; (ii) dividend income from financial assets at fair value through profit or loss increased by approximately RMB0.2 million as compared to the same period last year; and (iii) interest income from other receivables decreased by approximately RMB0.2 million as compared to the same period last year, and the increase in other income was offset by various decreases in ancillary income, Covid-19-related rental concessions and gains from termination of leases.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB8.0 million, representing a decrease of approximately 8.3% from approximately RMB8.7 million for the same period last year. Of which: the data centre segment did not incur any selling expenses during the Reporting Period. The decrease in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to the installation and handling fees, loading and unloading expenses and travel expenses incurred for the same period last year were higher since the Company tried to deliver customer orders as schedule under the impact of COVID-19 pandemic, while the above expenses for the Reporting Period decreased by approximately 1.3 million accordingly. In addition, the decrease in selling expenses was offset by an increase in the amortisation of renovation expenses of approximately RMB0.5 million for the Reporting Period as compared to the same period last year.

Administrative and other expenses

During the Reporting Period, the Group's administrative and other expenses amounted to approximately RMB36.1 million, representing an increase of approximately RMB12.0 million or 49.8% from approximately RMB24.1 million for the same period last year. Of which: administrative and other expenses of the data centre segment amounted to approximately RMB5.7 million, representing an increase of approximately RMB2.3 million or 67.6% as compared to the same period last year. The increase was mainly attributable to one-off legal and professional fees of approximately RMB2.6 million incurred during the Reporting Period in relation to the Buildout Management Agreement and the SPV Loan Agreement and the decrease in daily office expenses. Excluding the administrative expenses incurred from the data centre segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB30.4 million, representing an increase of approximately RMB9.7 million or 46.9% as compared to the same period last year. The increase was mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB11.8 million during the Reporting Period the Company granted the Share Option Deed; (ii) the increase in the Group's provision for ECLs of approximately RMB4.7 million as compared to the same period last year; (iii) the actual write-off of bad debt losses of approximately RMB3.0 million during the same period last year, whereas there was no such amount during the Reporting Period; (iv) the decrease in other expenses such as product research and development expenses and welfare expenses of approximately RMB2.3 million and RMB0.8 million respectively during the Reporting Period as compared to the same period last year. The increase in administrative expenses was partially offset by (iii) and (iv) above.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

During the Reporting Period, the Group's finance costs amounted to approximately RMB5.0 million, while the finance costs were approximately RMB4.6 million for the same period last year, representing a year-on-year increase of approximately RMB0.4 million or 10.2%. The increase in the Group's finance costs was mainly attributable to: (i) the increase in interest expense arising from the issuance of convertible bonds payable by the Group of approximately RMB2.9 million as compared to the same period last year, mainly attributable to the completion of the placing of convertible bonds with an aggregate principal amount of US\$8 million on 6 August 2021, which incurred imputed interest expense of approximately RMB2.8 million as of the end of the Reporting Period, as detailed in note 14 to the consolidated financial statements; (ii) the adoption of the new HKFRS 16 on leases by the Group, in which lease commitments were recognised as liabilities and amortised as interest expense during the lease term, and interest expense from lease liabilities incurred during the Reporting Period decreased by approximately RMB0.9 million as compared to the same period last year; and (iii) the repayment of the liquidity loan obtained from China CITIC Bank on 4 January 2021, the interest expense incurred thereon decreased by approximately RMB1.6 million as compared to the same period last year, with (ii) and (iii) above offsetting the increase in finance costs.

Income tax credit

During the Reporting Period, the Group's income tax credit amounted to approximately RMB1.6 million, while the income tax credit was approximately RMB0.7 million for the same period last year. The income tax credit of the Group was due to: (i) the fact that during the Reporting Period, the majority of the Group's subsidiaries were loss-making for the corresponding reporting periods, except for individual subsidiaries for which corporate income tax was provided, while some of the subsidiaries recorded a profit which was not subject to income tax due to the compensation for the loss of the previous years; (ii) deferred tax credit in respect of the acquisition of date centre segment and the fair value adjustment of assets caused by the acquisition of subsidiaries in previous years.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its operations by internally generated cash flow and net proceeds from the placing of convertible bonds under the general mandate. As at 31 December 2021, the Group had net current assets of approximately RMB63.5 million (31 December 2020: approximately RMB72.8 million) including bank balances and cash of approximately RMB45.5 million (31 December 2020: approximately RMB64.6 million). As at 31 December 2021, the Group did not have outstanding interest-bearing bank loan (31 December 2020: RMB30.0 million). As at 31 December 2021, the Group's current ratio (defined as the ratio of current assets to current liabilities) was approximately 2.5 (31 December 2020: approximately 2.1).

CAPITAL STRUCTURE

As at 31 December 2021, the Group's total equity attributable to the owners of the Company amounted to approximately RMB146.7 million (31 December 2020: approximately RMB172.2 million). The Group's equity attributable to the owners of the Company includes share capital and capital reserve.

GEARING RATIO

As at 31 December 2021, the gearing ratio (defined as total debt divided by total equity. Total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) amounted to approximately 0.58 (31 December 2020: approximately 0.42).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group was not aware of any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS HELD

As of 31 December 2021, the Company did not hold any significant investments (same period last year: nil).

FOREIGN EXCHANGE EXPOSURE

As the Group conducts its business transactions principally in RMB, the Group's exposure to foreign currency fluctuations is minimal. The Group was not a party to any foreign exchange hedging instrument as at 31 December 2021. However, the Group will review and monitor from time to time the risk relating to foreign exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

On 25 January 2022, the Company entered into an agreement (the “**Agreement**”) with 東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd.*) (the “**Borrower**”), pursuant to which the Company will provide pledges of a parcel of land and buildings located at Chengdu City, Sichuan Province, the PRC to assist the Borrower in obtaining of the financing from the bank(s) up to a maximum of RMB60,000,000. Pursuant to the Agreement, the borrower shall grant an exclusive management right to the Group to manage the data centre(s) to be owned or controlled by the Borrower and/or its associates and the Borrower shall also grant an exclusive right to the Group as its agent to procure the sale and/or lease of the relevant data centre rack(s) to customers, subject to the terms and conditions of the relevant contracts to be entered into by the parties. The entering into of the Agreement and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to, among others, shareholders’ approval at the EGM. Details of the Agreement are set out in the Company’s announcement dated 25 January 2022.

Save as the above event, the Group did not have any events that should be disclosed but had not been disclosed.

INFORMATION ON EMPLOYEES

As at 31 December 2021, the Group engaged a total of 197 employees (same period of 2020: 203) including the Directors. For the twelve months ended 31 December 2021, total staff costs amounted to approximately RMB13.2 million (same period of 2020: approximately RMB14.9 million). Remuneration (including employees’ benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees’ salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group’s business performance.

PLEDGE OF ASSETS

The Group had repaid the working capital loan of RMB30.0 million (loan term: one year) obtained from China CITIC Bank on 4 January 2021. The above loan was secured by the land use rights and property of the production facilities in Chengdu City and the pledged security for the above loan was released simultaneously from the day of repayment. Other than the above event after the Reporting Period, the Group had no asset pledge agreement.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance), or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the Securities and Futures Ordinance, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Approximate percentage of the Company's issued share capital (Note 4)
Mr. Ma Gary Ming Fai ("Mr. Ma")	Interest in a controlled corporation (Note 1)	245,300,400 (Long position)	27.04%
Mr. Yi Cong ("Mr. Yi")	Interest of spouse (Note 2)	116,580,000 (Long position)	12.85%
Mr. Lai	Beneficial owner (Note 3)	100,000,000 (Long position)	11.02%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Such shares are held by Sun Universal Limited, and its 100% equity interest is owned by Mr. Ma. Mr. Ma is deemed to be interested in the shares held by Sun Universal Limited for the purpose of Part XV of the Securities and Futures Ordinance.
2. Mr. Yi is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi is deemed to be interested in all the shares which Ms. Zhang Gui Hong is interested for the purpose of Part XV of the Securities and Futures Ordinance.
3. Pursuant to the Share Option Deed, the Company conditionally granted the share options to Mr. Lai, and Mr. Lai has the right to request the Company to allot and issue up to 100,000,000 subscription shares at the subscription price. After Mr. Lai fully exercised the share options, his shareholding represents 11.02% of the existing issued share capital of the Company and approximately 9.93% of the Company's issued share capital enlarged by the issuance of subscription shares. During the Reporting Period, Mr. Lai has not exercised any share option. (Note 13 to the financial statements)
4. Based on the total number of 907,333,333 ordinary shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and/or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the Securities and Futures Ordinance, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2021, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance and the GEM Listing Rules.

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Approximate percentage of the Company's issued share capital (Note 6)
Sun Universal Limited ("Sun Universal")	Beneficial owner	245,300,400 (Long position)	27.04%
Ms. Hung Fung King Margaret ("Ms. Hung")	Interest of spouse (Note 1)	245,300,400 (Long position)	27.04%
Brilliant Talent Global Limited	Beneficial owner (Note 2)	116,580,000 (Long position)	12.85%
Ms. Zhang Gui Hong ("Ms. Zhang")	Interest in a controlled corporation (Note 2)	116,580,000 (Long position)	12.85%
Even Joy Holdings Limited ("Even Joy")	Beneficial owner (Note 3)	46,800,000 (Long position)	5.15%
Mr. Hung Kwong Yee ("Mr. Hung")	Interest in a controlled corporation (Note 4)	46,800,000 (Long position)	5.15%
Mr. Tsoi Tak ("Mr. Tsoi")	Beneficial owner (Note 5)	46,800,000 (Long position)	5.15%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Ms. Hung is the spouse of Mr. Ma. Accordingly, Ms. Hung is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the Securities and Futures Ordinance.
2. The entire issued share capital of Brilliant Talent Global Limited is legally and beneficially owned by Ms. Zhang. Ms. Zhang is deemed to be interested in the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the Securities and Futures Ordinance.
3. Pursuant to the Placing Agreement (Note 12 to the financial statements), the Company conditionally allotted the convertible bonds to Even Joy such that the placee may convert up to 46,800,000 shares of the Company at the conversion price. Upon conversion in full, his shareholding represents 5.15% of the existing issued share capital of the Company. During the Reporting Period, Even Joy has not converted any convertible bond.
4. The entire issued share capital of Even Joy is legally and beneficially owned by Mr. Hung. Pursuant to Part XV of the SFO, Mr. Hung is deemed to be interested in the shares held by Even Joy.
5. Pursuant to the Placing Agreement, the Company conditionally allotted the convertible bonds to Mr. Tsoi such that the placee may convert up to 46,800,000 shares of the Company at the conversion price. Upon conversion in full, his shareholding represents 5.15% of the existing issued share capital of the Company. During the Reporting Period, Mr. Tsoi has not converted any convertible bond.
6. Based on the total number of 907,333,333 ordinary shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any person who had interests or short positions in the shares, underlying shares or debentures of the Company required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

OTHER INFORMATION

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2021, the Group did not have any future plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the twelve months ended 31 December 2021, the Group did not have any material disposals and acquisitions of subsidiaries and affiliated companies.

SHARE OPTION SCHEME

Save as disclosed in Note 13 to the financial statements, as of 31 December 2021, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

COMPETING INTERESTS

Mr. Ma, an executive Director, is the sole shareholder of Myshowhome International Limited ("**Myshowhome International**", together with its subsidiaries, the "**Myshowhome Group**"). Myshowhome International holds 100% interest in Myshowhome (Hong Kong) Limited ("**Myshowhome HK**"), which in turn holds 100% interest in Dongguan Shangpin Furniture Co., Ltd. (東莞市尚品家具有限公司) ("**Shangpin**"). Shangpin is a wholly foreign owned enterprise established under the laws of the PRC on 10 July 2012 with a registered capital of HK\$8 million and is principally engaged in the manufacturing of sofas and sofa-beds for export to places outside the PRC. Mr. Ma confirms that Myshowhome International and Myshowhome HK are both investment holding companies. Mr. Ma has entered into a deed of non-competition in favour of the Company, and he and his close associates will abstain from voting on matters relating to the Group or Myshowhome Group where actual or potential conflicts of interest may arise.

Mr. Lai, an executive Director, has executed a non-competition undertaking in favour of the Company that he shall not and shall procure his associates not to engage in any Restricted Business unless the Company rejects such business opportunity. "Restricted Business" shall mean any business which competes or is likely to compete with the business currently and from time to time engaged by the Group (including but not limited to (i) the manufacture and sale of office furniture products in the PRC; and (ii) the data centre business in the PRC) but excluding Mr. Lai's interests in China Internet Exchange and/or the JV (together as the "**Excluded Companies**") and the relevant subsidiaries of such Excluded Companies. Details are set out in the circular issued on 16 July 2021 by the Company.

OTHER INFORMATION

Save as disclosed above, for the twelve months ended 31 December 2021, none of the Directors or substantial Shareholder or any of their respective associates (as defined under the GEM Listing Rules) has any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

On 2 June 2021, a conditional loan agreement was entered into between the Company as lender and the SPV as borrower, pursuant to which, the Company shall advance the Loan in the aggregate sums of up to RMB100,000,000 (in HK\$ equivalent) in two tranches to the borrower. The SPV is a special purpose vehicle for the purpose of the formation of the JV. It is owned as to 50% by Lightning Cloud Limited, which in turn is wholly owned by Mr. Lai, an executive Director of the Company. The JV is principally engaged in the data centre business in the PRC and holds 100% interest in a JV project company through its subsidiary; and the JV project company has entered into the Buildout Management Agreement with WNT on 1 June 2021. Details are set out in the announcement dated 2 June 2021, the circular dated 16 July 2021 and the announcement dated 2 August 2021 of the Company.

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

- (1) entering into the above SPV Loan Agreement; and
- (2) entering into the Share Option Deed (Note 13 to the financial statements)

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

During the Reporting Period, the Company used the proceeds from the placing of convertible bonds (Note 14 to the financial statements) and its own fundings to advance the first tranche of the Loan amounting to RMB50.0 million to the SPV; and relevant interest income of approximately RMB1.2 million has been accrued. The above interest was received on 11 January 2022.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established the Audit Committee (the “**Audit Committee**”) on 19 December 2016 with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the twelve months ended 31 December 2021. The Audit Committee is of the view that the unaudited consolidated results are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that the sufficient disclosure was made.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the twelve months ended 31 December 2021 and up to the date of this report.

CHANGE IN INFORMATION OF DIRECTORS

On 29 March 2021, the board of directors of the Company announced the appointment of Mr. Ma as an executive director and compliance officer of the Company with effect on 1 April 2021, primarily responsible for finance and compliance of the Group. Mr. Yi, an executive director and Chief Executive Officer of the Company, resigned from the position of compliance officer in order to focus his efforts on the Company’s business on the same date.

With the passing at the extraordinary general meeting on 2 August 2021, Mr. Lai has been appointed as an executive Director with immediate effect. Mr. Lai has entered into a service agreement with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company and the GEM Listing Rules.

OTHER INFORMATION

Saved for the aforesaid change, for the twelve months ended 31 December 2021, there was no change in the information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to the Reporting Period, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have bought or sold any shares of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the period from the Listing Date to the Reporting Period, the Company has complied with the applicable code provisions of the CG Code.

By order of the Board
Zhi Sheng Group Holdings Limited
Yi Cong
Executive Director

Hong Kong, 11 February 2022

As at the date of this report, the executive Directors are Mr. Yi Cong, Mr. Liang Xing Jun, Mr. Ma Gary Ming Fai and Mr. Lai Ningning; the non-executive Director is Mr. Luo Guoqiang; and the independent non-executive Directors are Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung.