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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8370)

ANNOUNCEMENT OF RESULTS FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2022

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

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

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

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

ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the eighteen months ended 30 June 2022, together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2022

	Notes	**1/1/2021 to 30/6/2022** *RMB'000*	1/1/2020 to 31/12/2020 *RMB'000*
Revenue	*5*	**172,511**	82,419
Cost of sales		**(162,795)**	(76,528)
Gross profit		**9,716**	5,891
Other income, net	*6*	**6,089**	3,808
Selling and distribution expenses		**(11,883)**	(8,675)
Administrative and other expenses		**(57,057)**	(21,729)
Impairment loss on assets		**(12,652)**	(2,375)
Loss from operations		**(65,787)**	(23,080)
Finance costs	*7*	**(9,389)**	(4,576)
Loss before tax		**(75,176)**	(27,656)
Income tax credit	*8*	**1,438**	703
Loss for the period/year attributable to the owners of the Company		**(73,738)**	(26,953)
Other comprehensive expense after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,019)**	(824)
Total comprehensive expense for the period/year attributable to the owners of the Company		**(75,757)**	(27,777)
Loss per share			
Basic and diluted (RMB cents)	*10*	**(8.13)**	(2.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		**42,955**	46,899
Right-of-use assets		**19,841**	37,613
Intangible asset		**–**	8,251
Goodwill		**25,197**	30,827
Long-term loan receivables	*11*	**50,000**	–
		137,993	123,590
Current assets			
Inventories		**10,751**	15,667
Contract assets		**30,193**	2,668
Trade, lease and other receivables	*12*	**61,937**	58,820
Cash and cash equivalents		**28,936**	64,552
		131,817	141,707
Current liabilities			
Contract liabilities		**33,641**	2,882
Trade and other payables	*13*	**30,542**	21,156
Bank borrowings	*14*	**–**	30,000
Lease liabilities		**3,555**	14,861
Tax payable		**974**	2
		68,712	68,901
Net current assets		**63,105**	72,806
Total assets less current liabilities		**201,098**	196,396

	Notes	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Non-current liabilities			
Lease liabilities		**3,719**	10,088
Convertible bonds	*15*	**64,835**	7,041
Deferred tax liabilities		**4,623**	7,044
		73,177	24,173
NET ASSETS		**127,921**	172,223
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*16*	**8,016**	8,016
Reserves		**119,905**	164,207
TOTAL EQUITY		**127,921**	172,223

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2022

	Share capital	Share premium	Convertible bonds 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*
At 1 January 2020	7,100	163,826	–	–	(11,131)	4,158	(8,579)	13,003	168,377
Loss for the year	–	–	–	–	–	–	–	(26,953)	(26,953)
Other comprehensive expense:									
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	(824)	–	(824)
Total comprehensive expense for the year	–	–	–	–	–	–	(824)	(26,953)	(27,777)
Issue of consideration shares *(note 16)*	916	23,370	–	–	–	–	–	–	24,286
Issue of convertible bonds	–	–	7,337	–	–	–	–	–	7,337
Transfer to statutory reserves	–	–	–	–	–	340	–	(340)	–
At 31 December 2020	8,016	187,196	7,337	–	(11,131)	4,498	(9,403)	(14,290)	172,223
At 1 January 2021	**8,016**	**187,196**	**7,337**	**–**	**(11,131)**	**4,498**	**(9,403)**	**(14,290)**	**172,223**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(73,738)**	**(73,738)**
Other comprehensive expense:									
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(2,019)**	**–**	**(2,019)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(2,019)**	**(73,738)**	**(75,757)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**16,575**	**–**	**–**	**–**	**–**	**16,575**
Issue of convertible bonds	**–**	**–**	**14,880**	**–**	**–**	**–**	**–**	**–**	**14,880**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**110**	**–**	**(110)**	**–**
At 30 June 2022	**8,016**	**187,196**	**22,217**	**16,575**	**(11,131)**	**4,608**	**(11,422)**	**(88,138)**	**127,921**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2022

1. GENERAL INFORMATION

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

The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in manufacture and sales of office furniture products and data centre business in the PRC.

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared under the historical cost convention.

During the period, the Company changed its financial year end date from 31 December to 30 June in order to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. The current period consolidated financial statements cover a eighteen months period ended 30 June 2022 and the comparative financial statements cover a twelve month period ended 31 December 2020. The comparative amounts are therefore not entirely comparable.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumption and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies.

4. SEGMENT INFORMATION

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

For the year ended 31 December 2020, the Group has two reportable segments, which are manufacture and sale of office furniture products and data centre business. For the period ended 30 June 2022, the Group started to have one more reportable segment, which is to conduct buildout management service. The following summarises the operation of each reportable segment of the Group:

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

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

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

(a) Reportable segments revenue and results

	Office Furniture		Data Centre		Buildout management service		Total	
	1/1/2021 to 30/6/2022	1/1/2020 to 31/12/2020	**1/1/2021 to 30/6/2022**	1/1/2020 to 31/12/2020	**1/1/2021 to 30/6/2022**	1/1/2020 to 31/12/2020	**1/1/2021 to 30/6/2022**	1/1/2020 to 31/12/2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue								
Sale of office furniture products	**76,767**	57,692	**–**	–	**–**	–	**76,767**	57,692
Information technology management service	**–**	–	**3,276**	294	**–**	–	**3,276**	294
Internet access connection service	**–**	–	**680**	574	**–**	–	**680**	574
Data centre operating and security service	**–**	–	**–**	2,625	**–**	–	**–**	2,625
Rental of server racks	**–**	–	**31,016**	21,234	**–**	–	**31,016**	21,234
Buildout management service	**–**	–	**–**	–	**60,772**	–	**60,772**	–
	76,767	57,692	**34,972**	24,727	**60,772**	–	**172,511**	82,419
Segment results	**(26,387)**	(20,087)	**(12,525)**	(3,655)	**3,380**	–	**(35,532)**	(23,742)
Unallocated expenses							**(34,774)**	(3,048)
Other income							**2,963**	6
Interest expense of convertible bonds							**(7,833)**	(872)
Loss before tax							**(75,176)**	(27,656)

The Group had no inter-segment transactions during the period ended 30 June 2022 and year ended 31 December 2020.

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

(b) Reportable segments assets and liabilities

	Office Furniture		**Data Centre**		**Buildout management service**		**Total**	
	As at 30 June 2022	As at 31 December 2020	**As at 30 June 2022**	As at 31 December 2020	**As at 30 June 2022**	As at 31 December 2020	**As at 30 June 2022**	As at 31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**116,875**	176,296	**71,364**	78,057	**28,262**	–	**216,501**	254,353
Loan receivable							**50,000**	–
Cash and cash equivalents							**1,721**	10,756
Unallocated corporate assets							**1,588**	188
							269,810	265,297
Segment liabilities	**(16,706)**	(46,726)	**(25,760)**	(38,654)	**(32,455)**	–	**(74,921)**	(85,380)
Convertible bonds							**(64,835)**	(7,041)
Unallocated corporate liabilities							**(2,133)**	(653)
							(141,889)	(93,074)

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

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

(c) Other segment information

	Office Furniture		Data Centre		Buildout management service		Unallocated		Total	
	1/1/2021 to 30/6/2022	1/1/2020 to 31/12/2020	**1/1/2021 to 30/6/2022**	1/1/2020 to 31/12/2020	**1/1/2021 to 30/6/2022**	1/1/2020 to 31/12/2020	**1/1/2021 to 30/6/2022**	1/1/2020 to 31/12/2020	**1/1/2021 to 30/6/2022**	1/1/2020 to 31/12/2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Bank interest income	**4**	4	**137**	15	**–**	–	**–**	4	**141**	23
Interest income from other receivables	**1,337**	2,302	**1,675**	–	**–**	–	**–**	–	**3,012**	2,302
Interest income from loan receivables	**–**	–	**–**	–	**–**	–	**2,693**	–	**2,693**	–
Interest income arising from unwinding contract assets with significant financing component	**249**	232	**–**	–	**–**	–	**–**	–	**249**	232
Interest expense on bank borrowing	**67**	1,630	**–**	–	**–**	–	**–**	–	**67**	1,630
Interest expense on lease liabilities	**30**	41	**1,459**	2,033	**–**	–	**–**	–	**1,489**	2,074
Interest expense on convertible bonds	**–**	–	**–**	–	**–**	–	**7,833**	872	**7,833**	872
Amortisation of intangible asset	**–**	–	**8,251**	5,373	**–**	–	**–**	–	**8,251**	5,373
Depreciation of right-of-use assets	**1,034**	711	**16,738**	13,822	**–**	–	**–**	–	**17,772**	14,533
Depreciation of property, plant and equipment	**6,885**	3,896	**–**	–	**–**	–	**–**	–	**6,885**	3,896
Loss on written off and disposal of property, plant and equipment	**76**	2	**–**	–	**–**	–	**–**	–	**76**	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	**6,941**	1,475	**81**	40	**–**	–	**–**	–	**7,022**	1,515
Write-off of trade and other receivables	**–**	3,036	**–**	–	**–**	–	**–**	–	**–**	3,036
Impairment loss on goodwill	**–**	–	**5,630**	–	**–**	–	**–**	–	**5,630**	–
Addition to intangible asset through business combination	**–**	–	**–**	13,624	**–**	–	**–**	–	**–**	13,624
Additions to property, plant and equipment	**3,095**	53	**–**	–	**–**	–	**–**	–	**3,095**	53
Additions to right-of-use assets	**–**	865	**–**	–	**–**	–	**–**	–	**–**	865
Additions to right-of-use assets through business combination	**–**	–	**–**	36,343	**–**	–	**–**	–	**–**	36,343

(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.

	1/1/2021 to 30/6/2022	1/1/2020 to 31/12/2020
	RMB'000	*RMB'000*
Revenue from external customers		
PRC	**170,197**	82,125
Hong Kong	**2,314**	294
	172,511	82,419

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

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

(e) Information about major customer

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

	1/1/2021 to 30/6/2022 ***RMB'000***	1/1/2020 to 31/12/2020 *RMB'000*
Customer A (Buildout management service)	**60,772**	–
Customer B (Sale of office furniture products)	**5,316***	8,395

* Customer B did not meet the threshold of revenue over 10% for the period ended 30 June 2022.

5. REVENUE

	1/1/2021 to 30/6/2022 ***RMB'000***	1/1/2020 to 31/12/2020 *RMB'000*
Revenue from contracts with customer		
Sale of office furniture products	**76,767**	57,692
Information technology management service	**3,276**	294
Internet access connection service	**680**	574
Data centre operating and security service	**–**	2,625
Buildout management service	**60,772**	–
	141,495	61,185
Revenue from other sources		
Rental of server racks	**31,016**	21,234
	172,511	82,419

Disaggregation of revenue from contract with customers

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

	1/1/2021 to 30/6/2022	1/1/2020 to 31/12/2020
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**76,767**	57,692
Overtime	**64,728**	3,493
	141,495	61,185

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

Operating leases

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

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

	As at 30 June 2022	As at 31 December 2020
	RMB'000	*RMB'000*
At the end of the period/year		
Year 1	**15,709**	12,319
Year 2	**6,540**	7,742
Year 3	**1,908**	1,838
	24,157	21,899

6. OTHER INCOME, NET

	1/1/2021 to 30/6/2022 *RMB'000*	1/1/2020 to 31/12/2020 *RMB'000*
Bank interest income	**141**	23
Exchange (loss)/gain, net	**(139)**	1
Interest income from loan receivables	**2,693**	–
Interest income from other receivables	**3,012**	2,302
Interest income arising from unwinding contract assets with significant financing component	**249**	232
Dividend income from financial assets at fair value through profit or loss	**–**	395
Subsidy income	**9**	404
Covid-19 related rent concession	**–**	172
Gain on lease termination	**–**	116
Penalty	**(787)**	–
Others	**911**	163
	6,089	3,808

7. FINANCE COSTS

	1/1/2021 to 30/6/2022 *RMB'000*	1/1/2020 to 31/12/2020 *RMB'000*
Interest expense on bank borrowing	**67**	1,630
Interest expense on lease liabilities	**1,489**	2,074
Interest expense on convertible bonds	**7,833**	872
	9,389	4,576

8. INCOME TAX CREDIT

	1/1/2021 to 30/6/2022	1/1/2020 to 31/12/2020
	RMB'000	*RMB'000*
Current tax		
Provision for the period/year	**983**	1
Deferred tax	**(2,421)**	(704)
	(1,438)	(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.

Hong Kong Profits Tax for the period ended 30 June 2022 has been provided under two-tiered profit tax rate regime, the first HK$2 million of estimated assessable profits is provided at the rate of 8.25%, and estimated assessable profits above HK$2 million is provided at the rate of 16.5%. No Hong Kong profits tax was provided in the consolidated financial statements as the Group has no estimated assessable profit derived from and earned in Hong Kong during the year ended 31 December 2020.

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

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

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of subsidiaries of approximately RMBnil (31 December 2020: RMB20,073,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

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

	1/1/2021 to 30/6/2022 *RMB'000*	1/1/2020 to 31/12/2020 *RMB'000*
Loss before tax	**(75,176)**	(27,656)
Tax calculated at tax rate of 25%	**(18,794)**	(6,914)
Tax effect of expenses not deductible for tax purposes	**13,245**	1,537
Tax effect of deductible temporary differences not recognised	**1,755**	1,787
Tax effect of utilisation of tax losses not previously recognised	**(313)**	–
Tax effect of tax losses not recognised	**3,331**	2,895
Tax concession	**(376)**	(8)
Effect of different tax rates of subsidiaries	**(286)**	–
Income tax credit	**(1,438)**	(703)

As at 30 June 2022, certain subsidiaries of the Group have unused tax losses of RMB23,977,000 (31 December 2020: RMB23,204,000) available to offset against future profits that will be expired in five years. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of profit streams in the future.

9. DIVIDENDS

No dividend has been paid or declared during the period ended 30 June 2022 and year ended 31 December 2020 nor has any dividend been declared since the end of the reporting period.

10. LOSS PER SHARE

	1/1/2021 to 30/6/2022 *RMB'000*	1/1/2020 to 31/12/2020 *RMB'000*
Loss		
Loss for the period/year attributable to owners of the Company	**73,738**	26,953
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**907,333,333**	903,086,758

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2022 and year ended 31 December 2020.

11. LONG-TERM LOAN RECEIVABLES

	As at 30 June 2022	As at 31 December 2020
	RMB'000	*RMB'000*
Long-term loan receivables	**50,000**	–

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

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

The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness.

As at 30 June 2022, the Group elected general approach to measure ECLs on loan receivable using probability default model. Since the ECLs was immaterial, no allowance is made during the period ended 30 June 2022.

The maturity profile of loan receivables net of allowance at the end of reporting period, analysed by the remaining period to the contractual maturity date is as follows:

	As at 30 June 2022	As at 31 December 2020
	RMB'000	*RMB'000*
Within one year	**–**	–
In the second year	**50,000**	–
	50,000	–

12. TRADE, LEASE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Trade receivables *(Note (a))*	**11,883**	13,476
Lease receivables *(Note (b))*	**6,741**	2,010
Other receivables *(Note (c))*	**25,772**	15,490
Deposits	**2,365**	836
Prepayments *(Note (d))*	**26,374**	31,184
	73,135	62,996
Less: loss allowance	**(11,198)**	(4,176)
	61,937	58,820

(a) Trade receivables

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Trade receivables, gross	**11,883**	13,476
Less: loss allowance	**(6,975)**	(3,679)
Trade receivables, net	**4,908**	9,797

As at 30 June 2022, included in gross trade receivables are trade receivables of RMB8,258,000 (31 December 2020: RMB11,615,000) and QAD receivables of RMB1,643,000 (31 December 2020: RMB1,448,000) from office furniture segment. The credit periods on sales of goods for customers are normally within 30 days or up to 180 days from invoice date depends on contract terms.

As at 30 June 2022, included in gross trade receivables are trade receivables of RMB1,982,000 (31 December 2020: RMB413,000) from data centre segment. The credit periods on service contacts with customers are normally within 30 days or up to 90 days from invoice date depends on contract terms.

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

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Within 3 months	**3,703**	7,545
More than 3 months	**8,180**	5,931
	11,883	13,476

The aging analysis of trade receivables, net of allowance, as of the end of reporting period, based on invoices dares, is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Current (not past due)	**2,994**	3,523
Less than 1 month past due	**770**	1,120
1 to 3 months past due	**296**	3,406
More than 3 months but less than 6 months past due	**464**	426
More than 6 months past due	**384**	1,322
	4,908	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 did not hold any collateral as security or other credit enhancements over the trade receivables.

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

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
At the beginning of the period/year	**3,679**	2,661
Loss allowance provision for the period/year	**3,296**	1,018
At the end of the period/year	**6,975**	3,679

As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for office furniture segment of RMB8,258,000 (31 December 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 reporting date.

	ECL rate	**Gross carrying amount**	**Lifetime ECLs**	**Net carrying amount**
	%	***RMB'000***	***RMB'000***	***RMB'000***
At 30 June 2022				
Current (not past due)	**11.6**	**1,148**	**133**	**1,015**
Less than 1 month past due	**11.7**	**445**	**52**	**393**
1 to 3 months past due	**28.5**	**414**	**118**	**296**
More than 3 months but less than 6 months past due	**52.4**	**974**	**510**	**464**
More than 6 months past due	**100.0**	**5,277**	**5,277**	**–**
		8,258	**6,090**	**2,168**

	ECL rate	Gross carrying amount	Lifetime ECLs	Net carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020				
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	8.0	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 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's QAD receivables for office furniture segment of RMB1,643,000 (31 December 2020: RMB1,448,000) using probability-default model. The ECL rate was 53.7% (31 December 2020: 54.0%) and the loss allowance as at period ended was RMB882,000 (31 December 2020: RMB782,000).

As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB1,982,000 using probability-default model. The ECL rate was 0.15% and the loss allowance as at period ended was RMB3,000. As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB413,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the year.

(b) Lease receivables

As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB6,741,000 using probability-default model. The ECL rate was 1.15% and the loss allowance as at period ended was RMB78,000. As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB2,010,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the period/year.

(c) Other receivables

(i) As at 30 June 2022, among the other receivables, three (31 December 2020: two) debt instruments totaling RMB24,000,000 (31 December 2020: RMB10,000,000) were due from financial institutions and independent third party in the PRC. The balances are unsecured, interest-bearing from 7.1% to 12% (31 December 2020: 7.6%) per annum and repayable in from three to six months (31 December 2020: six months).

(ii) As at 30 June 2022, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB28,137,000 (31 December 2020: RMB16,326,000) using probability-default model and provided loss allowance of RMB576,000 (31 December 2020: RMB497,000) at the end of the period/year.

(d) Prepayments

(i) As at 30 June 2022, among the prepayments, approximately RMB19,902,000 (31 December 2020: RMB29,546,000) represented prepayments to suppliers for purchase of raw materials.

(ii) As at 30 June 2022, the Group applied general approach to measure ECLs on the Group's prepayment of RMB26,374,000 (31 December 2020: RMB31,184,000) using probability-default model and provided loss allowance of RMB3,569,000 (31 December 2020: RMB nil) at the end of the period/year.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2022 *RMB'000*	As at 31 December 2020 *RMB'000*
Trade payables	**9,717**	7,465
Other payables and accruals *(Note)*	**19,780**	10,039
Other tax payables	**1,045**	3,652
	30,542	21,156

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

	As at 30 June 2022 *RMB'000*	As at 31 December 2020 *RMB'000*
Within 3 months	**5,707**	4,779
More than 3 months	**4,010**	2,686
	9,717	7,465

Note:

At 30 June 2022, included in other payables was RMB5,665,000 (31 December 2020: RMB6,665,000) due to the registered owner of WNT. The amount was unsecured, interest-free and repayable on demand.

14. BANK BORROWINGS

	As at 30 June 2022 *RMB'000*	As at 31 December 2020 *RMB'000*
Current — secured		
Bank borrowing	**–**	30,000

As at 31 December 2020, the Group's bank borrowing is repayable in six months, interest-bearing at 5.65% per annum and secured by the Group's buildings in property, plant and equipment amounted to RMB41,681,000 and leasehold land in right-of-use assets amounted to RMB13,754,000.

15. CONVERTIBLE BONDS

On 15 January 2020, the Company issued zero coupon convertible bonds with a principal amount of HK$12,400,000 for the acquisition of Polyqueue Limited. The convertible bonds denominated in HK$ will mature in four years from the issue date at their principal amount or can be converted into ordinary shares of the Company at the holder's option at initial conversion price HK$0.24 per conversion share.

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

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

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

	As at 30 June 2022 ***RMB'000***	As at 31 December 2020 *RMB'000*
At the beginning of the period/year	**7,041**	–
Increase during the period/year:		
Fair value of the convertible bonds	**65,710**	13,885
Less: transaction costs	**(1,815)**	–
Less: Amount classified as equity	**(14,880)**	(7,337)
Liability component on initial recognition	**49,015**	6,548
Interest expense	**7,833**	872
Interest paid	**(1,035)**	–
Exchange realignment	**1,981**	(379)
Liability component as at period/year ended	**64,835**	7,041

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 13.84%–14.50% to the liability component.

The principal amount of the convertible bonds as at 30 June 2022 is approximately RMB63,858,000 (31 December 2020: RMB10,441,000).

16. SHARE CAPITAL

	Number of shares	Share capital
		RMB'000
Authorised:		
Ordinary shares of HK$0.01 (31 December 2020: HK$0.01) each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2022	1,500,000,000	13,493
Issued and fully paid:		
Ordinary shares of HK$0.01 (31 December 2020: HK$0.01) each		
At 1 January 2020	804,000,000	7,100
Issues of consideration Shares	103,333,333	916
At 31 December 2020, 1 January 2021 and 30 June 2022	907,333,333	8,016

Note:

On 15 January 2020, the Company issued 103,333,333 shares as part of the consideration of HK$27,383,000 (equivalent to RMB24,286,000) for the acquisition of Polyqueue Limited ("**Consideration Shares**") of which HK$1,033,000 (equivalent to RMB916,000) represented the par value of the shares of the Company were credited to the Company's share capital and HK$26,350,000 (equivalent to RMB23,370,000) of the above per value of the shares were credited to the Company's share premium account.

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

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

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

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

	As at 30 June 2022 *RMB'000*	As at 31 December 2020 *RMB'000*
Current liabilities		
Trade and other payables	**30,542**	21,156
Bank borrowings	**–**	30,000
Lease liabilities	**3,555**	14,861
	34,097	66,017
Non-current liabilities		
Lease liabilities	**3,719**	10,088
Convertible bonds	**64,835**	7,041
	68,554	17,129
Total debt	**102,651**	83,146
Less: Cash and cash equivalents	**(28,936)**	(64,552)
Net debt	**73,715**	18,594
Total equity	**127,921**	172,223
Net debt to equity ratio	**58%**	10.8%

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. In June 2021, 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("**WNT**"), a subsidiary of the Group, entered into a management agreement with Gu'an Fu'ai Electronics Company Limited ("**Gu'an Fu'ai**") to carry out buildout management service business.

Manufacture and sale of furniture products business

During the eighteen months ended 30 June 2022 (the "**Reporting Period**"), the Group achieved a revenue from manufacture and sale of furniture products segment of approximately RMB76.8 million, representing an increase of approximately RMB19.1 million or approximately 33.1% as compared to the year ended 31 December 2020 (the "**same period last year**"), and a decrease of approximately 11.3% as compared to the same period last year in terms of average monthly sales revenue. The performance in the fourth quarter of 2021 showed improvement with significant growth of the results in Sichuan Province. However, due to the prolonged novel coronavirus epidemic in various areas of China since January 2022, local governments have implemented multiple quarantine and pandemic control measures to control the epidemic in a timely manner, causing inevitable negative impact on the economy. The impact on the furniture industry 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 epidemic and there were more substantial sales orders, it was less affected by the novel coronavirus epidemic. During the Reporting Period, the majority of potential customers were cautious in purchasing or postponed 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 and focused on consolidating the markets in the southwestern regions including Sichuan Province and Chongqing City. The Group also put efforts in coordinating the supply chain relationship between customers and suppliers in order to ensure on time delivery of customers' orders. In addition, the Company further enhanced the research and development of technologies and continued to optimise product designs so as to attract new customers and retain long-term customers.

Data centre business

During the Reporting Period, the Group achieved a revenue from the existing business of the data centre segment of approximately RMB34.9 million, representing an increase of approximately RMB10.2 million or approximately 41.4% as compared to the same period last year, and a decrease of approximately 5.7% as compared to the same period last year in terms of average monthly revenue. 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 COVID-19 pandemic that has lasted for more than 2 years, 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. During the Reporting Period, excluding the goodwill impairment of approximately RMB5.6 million and the amortisation expense of intangible assets of approximately RMB8.3 million, the existing business of the data centre segment has contributed approximately RMB34.9 million to the Group's revenue (approximately RMB24.7 million for the same period last year) and approximately RMB1.4 million to the Group's profit before income tax (approximately RMB1.7 million for the same period last year).

Buildout management service business

WNT, a subsidiary of the Group, entered into the Buildout Management Agreement with Gu'an Fu'ai in June 2021 to provide 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. During the Reporting Period, the Group recognised a revenue from the buildout management service, cost of the buildout management service and gross profit of approximately RMB60.8 million, RMB55.2 million and RMB5.6 million, respectively. During the Reporting Period, excluding one-off legal and professional fees of approximately RMB2.2 million incurred from the signing of the agreement, the buildout management service business has contributed approximately RMB3.4 million (same period last year: no such business) to the Group's profit before income tax.

During the Reporting Period, the Group recorded a revenue of approximately RMB172.5 million, representing an increase of approximately RMB90.1 million or approximately 109.3% as compared to the same period last year. During the Reporting Period, the Group recorded a loss of approximately RMB73.7 million, as compared with the loss of approximately RMB27.0 million recorded by the Group for the same period last year.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB172.5 million, representing an increase of approximately RMB90.1 million or approximately 109.3% as compared to the same period last year. It was mainly attributable to the revenue generated from the buildout management service segment of approximately RMB60.8 million recognised during the Reporting Period. In addition, the Reporting Period covered 18 months, which was six months longer than the previous accounting year. Excluding such revenue generated from the buildout management service and calculating in terms of average monthly revenue of both reporting periods, the revenue of the existing business of the Reporting Period decreased by approximately 9.6% as compared to the same period last year. Of which:

Manufacture and sale of furniture products segment: during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB76.8 million, representing an increase of approximately RMB19.1 million or approximately 33.1% as compared to the same period last year, and a decrease of approximately 11.3% as compared to the same period last year in terms of average monthly sales revenue, which was mainly attributable to the facts that:

(i) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing increased by approximately RMB24.5 million or 54.6% as compared to the same period last year. During the Reporting Period, sales revenue from Sichuan Province increased by approximately RMB23.0 million or 66.6%, and increased by approximately 11.0% as compared to the same period last year in terms of average monthly sales revenue, while the sales revenue from Chongqing City increased by approximately RMB3.1 million or 50.6%, and increased by approximately 0.4% as compared to the same period last year in terms of average monthly sales revenue. Yet, all three other provinces and regions in Southwest China experienced revenue declines as compared to the same period last year. Revenue from Guizhou Province, Yunnan Province and Tibet Region decreased by 39.1%, 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 realisation of total revenue of approximately RMB37.1 million from the 13 new major customers. Due to the large sales base in Sichuan Province, the amount of revenue growth exceeded the sales decline in the other three provinces and regions and achieved a year-on-year growth. In terms of average monthly sales revenue, revenue from the five southwestern provinces and regions increased by approximately 3.1% as compared to the same period last year;

(ii) 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 only approximately RMB0.12 million during the Reporting Period from a newly contracted financial institution customer as compared to approximately RMB4.8 million last year, as most of the orders from this customer were delivered and revenue was realised before the Reporting Period. Revenue from Beijing and Zhejiang Province increased by approximately RMB0.86 million and RMB0.94 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; and

(iii) Revenue from Chongqing Branch Office was approximately RMB5.2 million during the Reporting Period, representing a decrease of approximately RMB2.4 million or 31.6% as compared to the same period last year. Due to very weak sales demand and fierce competition, some large-scale tender and bidding projects in Chongqing are participated in the name of Sichuan Greenland to enhance the competitiveness and successful rate, resulting in rapid decline of revenue from this branch office. Nonetheless, from the perspective of the Group, such strategy change is inductive to boost the overall efficiency of the Company.

Data centre segment: the existing business of the data centre segment realised a revenue of approximately RMB34.9 million during the Reporting Period, representing an increase of approximately RMB10.2 million or approximately 41.4% as compared to the same period last year. Calculating in terms of average monthly revenue, the revenue of the Reporting Period decreased by approximately 5.7% as compared to the same period last year. Due to the impact of novel coronavirus epidemic, 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.

Buildout management service segment: the Group recognised the revenue generated from the buildout management services of approximately RMB60.8 million during the Reporting Period, which was the main contributor to the growth of the Group's revenue.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; (iv) production or operation overheads such as depreciation, amortisation of intangible assets, utilities bills, maintenance fee and rent; and (v) cost of the buildout management services. The Group's cost of sales for the Reporting Period was approximately RMB162.8 million, representing an increase of approximately RMB86.3 million or 112.7% as compared to the same period last year. Of which:

Manufacture and sale of furniture products segment: cost of sales for the Reporting Period was approximately RMB71.0 million, representing an increase of approximately RMB17.6 million or 33.1% as compared to the same period last year. Given that the Reporting Period covered 18 months, the cost of sales increased along with the increase in sales. As the increase in cost of sales was in line with that of the revenue from furniture, the gross profit margin of both years remained basically stable. Based on the composition analysis of cost of sales, (i) the cost of raw materials used and products purchased increased by approximately RMB13.3 million or approximately 28.3% (during the Reporting Period, the provision for loss of inventories increased by approximately RMB3.7 million as compared to the same period last year, while the direct write-off of inventory disposal loss decreased by approximately RMB3.1 million as compared to the same period last year, combinedly resulted in the increase in net sales cost of approximately RMB0.6 million); (ii) wages of production staff increased by approximately RMB2.9 million, representing an increase of 87.3%; and (iii) other production expenses increased by approximately RMB1.4 million, representing an increase of 47.3%. The increase in the proportion of sales of self-made products during the Reporting Period has resulted in a higher increase in labour cost and other production expenses than the cost of raw materials used and products purchased.

Data centre segment: cost of sales of the existing business for the Reporting Period was approximately RMB36.6 million, representing an increase of approximately RMB13.4 million or 58.1% as compared to the same period last year. Since the Reporting Period covered 18 months, the costs of sales increased in line with the increase in sales. The increase was also due to the inclusion of amortisation of the intangible assets arising from the acquisition of the data centre of approximately RMB8.3 million in cost of sales, representing an increase of approximately RMB2.9 million or 53.6% as compared to the same period last year, as well as the increase in wages and other overhead costs, resulting in a higher increase in cost of sales than the increase in revenue, thus leading to a greater decrease in gross profit margin.

Buildout management service segment: the Group recognised the cost of the buildout management services of approximately RMB55.2 million during the Reporting Period, which was the main contributor to the growth of the Group's cost.

Gross profit

Gross profit increased to approximately RMB9.7 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 increased by approximately RMB1.4 million or 33.2% as compared to the same period last year. The gross profit margin of furniture products slightly increased to approximately 7.6% for the Reporting Period, which remained stable as compared to approximately 7.5% in the same period last year. As a result of the weakening of overall demand, intensified market competition and the impact of the COVID-19 pandemic, customers have become more cautious in purchasing or replacing furniture. The Group adhered to its operation strategies last year and continued to compete for more orders at lower product prices in order to maintain effective operations. As the market shares in Sichuan Province and Chongqing City have improved significantly, an employee incentive system will be adopted to link the incentives for sales teams with the gross profit margin of relevant bidding projects, so as to facilitate gradual recovery of gross profit margin.

Data centre segment: gross profit of the existing business for the Reporting Period decreased by approximately RMB3.1 million or 210.5% 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 -4.9% 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 RMB8.3 million was recorded as cost of sales, representing an increase of approximately RMB2.9 million as compared to the same period last year; and (ii) the increase in wages and other overhead costs was greater than the increase in revenue, resulting in a significant year-on-year decrease in the gross profit and gross profit margin of the existing business during the Reporting Period. As the intangible assets arising from the acquisition of the data centre has been fully amortised, gross profit margin for the next reporting period will improve significantly.

Buildout management service segment: the Group recognised the gross profit of the buildout management services of approximately RMB5.6 million during the Reporting Period, which was the main contributor to the growth of the Group's gross profit.

Other income, net

During the Reporting Period, the Group's other income, net amounted to approximately RMB6.1 million, representing an increase of approximately RMB2.3 million or 59.9% as compared to the same period last year, which was mainly attributable to the fact that: (i) interests of loans of RMB50.0 million granted by the Company to Mega Data Investment Limited ("**SPV**") during the Reporting Period increased by approximately RMB2.7 million; and (ii) interest income from other receivables and interest income from bank increased as compared to the same period last year, while ancillary income, COVID-19-related rental concessions and gains from termination of leases decreased significantly, which offset the increase in other income.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB11.9 million, representing an increase of approximately RMB3.2 million or 37.0% as compared to the same period last year. Of which: the data centre segment and buildout management service segment did not incur any selling expenses during the Reporting Period and last year. The increase in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to the fact that the period covered by the Reporting Period was six months longer than the same period last year. In terms of monthly average selling and distribution expenses, the selling and distribution expenses of the manufacture and sale of furniture products segment for the Reporting Period decreased by approximately 8.7% as compared to the same period last year. This was mainly due to the fact that the monthly average installation and delivery fees, loading and unloading expenses and travel expenses incurred for the same period last year were higher since the Group tried to deliver customer orders as scheduled under the impact of COVID-19 pandemic, while the above expenses for the Reporting Period decreased. The stringent control of daily selling cost by the Group has also shown satisfactory results. In addition, the decrease in monthly average selling expenses was offset by an increase in the monthly average amortisation of renovation expenses of showrooms 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 (including impairment loss on assets) amounted to approximately RMB69.7 million, representing an increase of approximately 189.2% as compared to the same period last year. Of which: administrative and other expenses of the data centre segment and buildout management service segment amounted to approximately RMB13.2 million, representing an increase of approximately RMB9.9 million or 296.0% as compared to the same period last year. The increases were mainly attributable to: (i) the recognition of expenses of goodwill impairment of approximately RMB5.6 million during the Reporting Period; (ii) one-off legal and professional fees of approximately RMB2.2 million incurred during the Reporting Period in relation to the Buildout Management Agreement and the SPV loan agreement. Excluding the above factors, on a monthly average basis, other administrative expenses increased by approximately 6.6% for the Reporting Period as compared to the same period last year, mainly due to the increase in expenses including provision for loss allowance and wage costs. Excluding the administrative expenses incurred from the data centre segment and buildout management service segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB56.5 million, representing an increase of approximately RMB35.8 million or 172.1% as compared to the same period last year. The increases were mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB16.5 million during the Reporting Period as the Company granted the share option deed; (ii) the share-based payment expenses of approximately RMB13.8 million incurred from the issuance of convertible bonds by the Company during the Reporting Period; (iii) the increase in the provision for ECLs of trade and other receivables and prepayments of approximately RMB5.5 million as compared to the same period last year; (iv) 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. Excluding the above factors, on a monthly average basis, other administrative expenses for the Reporting Period decreased by approximately 21.3% as compared to the same period last year, mainly due to the decreases in product research and development expenses, entertainment expenses and welfare expenses during the Reporting Period, as well as the Group's stringent control of daily administrative expenses.

Finance Costs

The Group incurred finance costs of approximately RMB9.4 million for the Reporting Period (same period last year: approximately RMB4.6 million), representing a year-on-year increase of approximately RMB4.8 million or 105.2%, mainly due to: (i) the increase in interest expense arising from the issuance of convertible bonds by the Company of approximately RMB7.0 million as compared to the same period last year, mainly attributable to the imputed interest expense of approximately RMB6.3 million as of the end of the Reporting Period incurred from the placing of convertible bonds with an aggregate principal amount of US$8 million, while the increase in interest of other convertible bonds was mainly because the period covered by Reporting Period was six months longer than the same period last year; (ii) the adoption of the HKFRS 16, which recognizes lease commitments as liabilities and amortizes them as interest expense over the lease term, and the decrease in interest expense on lease liabilities incurred during the Reporting Period of approximately RMB0.6 million as compared to the same period last year; and (iii) the repayment of working capital loan obtained from CITIC Bank on 4 January 2021 and the decrease in interest expense incurred therefrom of approximately RMB1.6 million as compared to the same period last year. The increase in finance costs was partially offset by (ii) and (iii) above.

Income Tax Credit

The Group's income tax credit for the Reporting Period was approximately RMB1.4 million (same period last year: approximately RMB0.7 million). The income tax credit of the Group was due to: (i) the fact that during the Reporting Period, except for the individual subsidiaries of data centre segment for which corporate income tax was provided, the Group's remaining subsidiaries were loss-making for the corresponding reporting periods, 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; and (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.

Loss for the Year Attributable to Owners of the Company

Loss for the year attributable to owners of the Company for the Reporting Period was approximately RMB73.7 million (same period last year: loss of approximately RMB27.0 million). The substantial increase in loss was mainly attributable to: (1) the decrease in gross profit of approximately RMB1.8 million as a result of the significantly higher increase in cost of sales of 40.7% over the increase in revenue of the existing business of 35.6% for the Reporting Period as compared to the same period last year; (2) the increase in administrative and other expenses of approximately RMB45.6 million as compared to the same period last year, mainly due to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB16.5 million as the Company granted the share option deed; (ii) the share-based payment expenses of approximately RMB13.8 million incurred from the issuance of convertible bonds by the Company; (iii) the recognition of expenses of goodwill impairment of approximately RMB5.6 million; (iv) the increase in the provision for ECLs of trade and other receivables and prepayments of approximately RMB5.5 million as compared to the same period last year; (v) one-off legal and professional fees of approximately RMB2.2 million incurred during the Reporting Period in relation to the Buildout Management Agreement and the SPV loan agreement; and (vi) the increase in the proportion of recurring administrative expenses as the period covered by the Reporting Period was six months longer than the same period last year following the change of financial year end date to 30 June. Nonetheless, the increase in administrative expense was partially offset by the significant decreases in monthly average expenses including product research and development expense, entertainment expense and staff welfare expense as compared to last year; (3) the increase in selling and distribution expenses of approximately RMB3.2 million as compared to the same period last year, mainly due to the increase in the proportion of recurring selling and distribution expenses as the period covered by the Reporting Period was six months longer than the same period last year; on a monthly average basis, the selling and distribution expenses for the Reporting Period decreased by approximately 8.7% as compared to the same period last year; (4) the increase in finance cost of approximately RMB4.8 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 during the Reporting Period; (5) the increase in gross profit of approximately RMB5.6 million resulting from profits or losses in services provided in accordance with the Buildout Management Agreement recognised for the buildout management service segment during the Reporting Period; (6) the increase in other income, net of approximately RMB2.3 million as compared to the same period last year resulting from interests of loans of RMB50.0 million granted by the Company to SPV during the Reporting Period; and (7) the increase in income tax credit of approximately RMB0.7 million as compared to the same period last year. The loss recorded by the Group was offset by items (5), (6) and (7) above.

Contract assets, trade, lease and other receivables

Contract assets, trade, lease and other receivables of the Group for the Reporting Period amounted to approximately RMB92.1 million (same period last year: approximately RMB61.5 million). The increase was mainly attributable to: (i) the increase in contract assets of the buildout management service segment of approximately RMB28.3 million, which was mainly attributable to the unfulfillment of settlement conditions; (ii) the increases in trade and lease receivables, prepayments and other receivables of the data centre segment of approximately RMB6.2 million, RMB1.7 million and RMB3.8 million, respectively, mainly due to the deferred settlement of customers and advanced payments; (iii) the increase in other receivables of the Company of approximately RMB1.4 million; (iv) the decreases in contract assets and receivables, and prepayments of the manufacture and sale of furniture products segment of approximately RMB7.2 million and RMB10.1 million, respectively, mainly due to the provision for ECLs of the settlements from customers, receivables and prepayments, and the increase in other receivables of approximately RMB6.6 million, mainly due to the increase in purchase of wealth management products carrying fixed rates.

Contract Liabilities, Trade and Other Payables

Contract liabilities, trade and other payables of the Company for the Reporting Period amounted to approximately RMB64.2 million (same period last year: approximately RMB24.0 million). The increase was mainly attributable to: (i) the increase in contract liabilities of the buildout management service segment of approximately RMB31.1 million, which was mainly attributable to the unfulfillment of settlement conditions; (ii) the increase in trade and other payables of the data centre segment of approximately RMB7.7 million, as well as the increase in other payables of the manufacture and sale of furniture products segment.

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

(a) On 25 June 2019, pursuant to the terms and conditions of the placing agreements dated 6 June 2019 and 10 June 2019, the Company has placed a total of 134,000,000 ordinary shares to no less than six placees, who are independent third parties, at a price of HK$0.235 per share (the "**Placing of New Shares under General Mandate**") (equivalent to approximately 16.67% of the issued share capital of the Company as enlarged by the 2019 Placing of New Shares under General Mandate).

During the Reporting Period, the Group has used the above net proceeds from the Placing of New Shares under General Mandate for the following purposes:

	Use of proceeds in the same manner and proportion as stated in the announcement dated 25 June 2019	Actual use of proceeds as of 30 June 2022
	HK$ million	*HK$ million*
Procurement of raw materials required for production	12.92	12.92
Increase in liquidity of the Group to provide customers with a longer credit period	7.07	7.07
Used as working capital of the Group to fulfill its obligations such as paying professional fees	10.77	10.77
	30.76	30.76

As at the date of this announcement, the above net proceeds from the Placing of New Shares under General Mandate have been fully utilized for the purposes as required.

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

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

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

As at the date of this announcement, the sellers have not converted the convertible bonds above.

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

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

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

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

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

As at the date of this announcement, the above convertible bonds have not been converted by the placees.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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 30 June 2022, the net current assets of the Group amounted to approximately RMB63.1 million (31 December 2020: approximately RMB72.8 million), including bank balances and cash of approximately RMB28.9 million (31 December 2020: approximately RMB64.6 million). As at 30 June 2022, the Group has no outstanding interest-bearing bank loans (31 December 2020: the Group has outstanding bank loans of RMB30.0 million). As at 30 June 2022, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.9 (31 December 2020: 2.1).

CAPITAL STRUCTURE

As at 30 June 2022, the Group's total equity attributable to owners of the Company amounted to approximately RMB127.9 million (31 December 2020: approximately RMB172.2 million). The Group's equity attributable to owners of the Company included share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's business transactions are mainly conducted in RMB, the exposure of the Group to foreign exchange fluctuations was not significant. As at 30 June 2022, the Group was not a party of any foreign currency hedging instruments. However, the Group will review and monitor foreign exchange exposure risks from time to time.

FINANCIAL POLICIES

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

GEARING RATIO

The gearing ratio as at 30 June 2022 (defined as total debt divided by total equity, where total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) was approximately 0.72 (31 December 2020: approximately 0.42).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had no significant capital commitments.

PLEDGE OF ASSETS

On 4 January 2021, the Group settled the working capital loans from China Citic Bank in the amount of RMB30.0 million for the term of one year, which was secured by the pledge of the land use rights and property of the production facilities in Chengdu City. On the settlement date of the abovementioned loan, the pledged security was released simultaneously.

On 25 January 2022, the Company entered into an agreement with Dongguan Yaobang Group Company Limited ("**Yaobang Group**"), pursuant to which the Company provided a parcel of land and buildings located at Chengdu City as pledge for the term of 36 months to assist Yaobang Group in obtaining financing from the bank(s). On 12 April 2022, the Company held the extraordinary general meeting and resolved to approve, confirm and ratify the above agreement. For details of the agreement, please refer to the announcement and circular of the Company dated 25 January 2022 and 25 March 2022, respectively.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this announcement, the Group did not have any future plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at the date of this announcement, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group engaged a total of 198 employees (31 December 2020: 203) including the Directors. During the Reporting Period, total staff costs (including equity-settled share-based payment to Directors) amounted to approximately RMB38.3 million (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.

ENVIRONMENT POLICIES AND PERFORMANCE

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

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

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

The environment, social and governance report of the Group for the Reporting Period will be issued on the websites of the Stock Exchange and the Company (www.qtbgjj.com) on or before 30 September 2022.

EVENTS AFTER THE REPORTING PERIOD

The Group has no disclosable matters which are yet to be disclosed as of the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material disposals and acquisitions of subsidiaries and affiliated companies as of the date of this announcement.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the eighteen months ended 30 June 2022.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the eighteen months ended 30 June 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

CORPORATE GOVERNANCE REPORT

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 eighteen months ended 30 June 2022 and up to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code.

DIVIDENDS

The Board does not recommend the payment of any dividend for the eighteen months ended 30 June 2022 (2020: Nil). No shareholder has agreed to waive dividends.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM of the Company will be held on Friday, 9 December 2022 at 11:00 a.m.. A notice convening the AGM will be published on the Company's website at www.qtbgjj.com and the GEM website at www.hkgem.com in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements of shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 6 December 2022 to Friday, 9 December 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 5 December 2022.

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 eighteen months ended 30 June 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the eighteen months ended 30 June 2022.

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

Hong Kong, 27 September 2022

As at the date of this announcement, 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. Li Saint Chi Sainti.

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