

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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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 (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 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 or this announcement 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 six months ended 31 December 2022, together with the comparative unaudited figures for Year 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND THE SIX MONTHS ENDED 31 DECEMBER 2022

	Notes	Ended 31 December		Ended 31 December	
		Three months 2022 RMB'000 (Unaudited)	Three months 2021 RMB'000 Restated (Unaudited)	Six months 2022 RMB'000 (Unaudited)	Six months 2021 RMB'000 Restated (Unaudited)
Revenue	4	34,339	26,331	70,759	74,804
Cost of sales		(31,028)	(26,279)	(65,454)	(72,822)
Gross profit		3,311	52	5,305	1,982
Other income, net		1,388	1,833	3,039	2,573
Selling and distribution expenses		(1,573)	(2,300)	(3,596)	(4,007)
Administrative and other expenses		(5,286)	(7,085)	(10,391)	(21,381)
Impairment loss on assets		(391)	(3,006)	(1,241)	(4,549)
Operating loss		(2,551)	(10,506)	(6,884)	(25,382)
Finance costs		(2,560)	(2,208)	(4,996)	(3,832)
Loss before income tax		(5,111)	(12,714)	(11,880)	(29,214)
Income tax (expenses)/credit	5	(1)	679	(355)	820
Loss for the period attributable to the owners of the Company		(5,112)	(12,035)	(12,235)	(28,394)
Other comprehensive income/ (expenses) for the period after tax:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		1,664	972	(1,895)	993
Total comprehensive expenses for the period attributable to the owners of the Company		(3,448)	(11,063)	(14,130)	(27,401)
Loss per share	7				
— Basic and diluted (RMB cents)		(0.56)	(1.33)	(1.35)	(3.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		31 December 2022	30 June 2022
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		41,236	42,955
Right-of-use assets		18,367	19,841
Long-term loan receivables		50,000	50,000
Goodwill		25,197	25,197
Total non-current assets		134,800	137,993
Current assets			
Inventories		8,497	10,751
Contract assets		2,449	30,193
Trade, lease and other receivables	8	50,101	61,937
Cash and cash equivalents		32,170	28,936
Total current assets		93,217	131,817
Total assets		228,017	269,810
Current liabilities			
Contract liabilities		3,641	33,641
Trade and other payables	9	25,809	30,542
Lease liabilities		3,741	3,555
Tax payable		1,480	974
Total current liabilities		34,671	68,712
Net current assets		58,546	63,105
Total assets less current liabilities		193,346	201,098

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	31 December 2022	30 June 2022
<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	2,159	3,719
Convertible bonds	70,801	64,835
Deferred tax liabilities	4,504	4,623
Total non-current liabilities	77,464	73,177
Total liabilities	112,135	141,899
NET ASSETS	115,882	127,921
EQUITY		
Equity attributable to the owners of the Company		
Share capital	8,016	8,016
Reserves	107,866	119,905
TOTAL EQUITY	115,882	127,921

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	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 July 2021 (Unaudited)	8,016	187,196	7,337	-	(11,131)	4,521	(9,461)	(25,307)	161,171
Loss for the year	-	-	-	-	-	-	-	(28,394)	(28,394)
Other comprehensive income:									
Exchange difference on translating foreign operations	-	-	-	-	-	-	993	-	993
Total comprehensive expense for the period	-	-	-	-	-	-	993	(28,394)	(27,401)
Recognition of equity-settled share-based payment expense	-	-	-	11,838	-	-	-	-	11,838
Issue of convertible bonds	-	-	1,062	-	-	-	-	-	1,062
Transfer to statutory reserve	-	-	-	-	-	51	-	(51)	-
As at 31 December 2021 (Unaudited)	8,016	187,196	8,399	11,838	(11,131)	4,572	(8,468)	(53,752)	146,670
As at 1 July 2022 (Audited)	8,016	187,196	22,217	16,575	(11,131)	4,608	(11,422)	(88,138)	127,921
Loss for the period	-	-	-	-	-	-	-	(12,235)	(12,235)
Other comprehensive income:									
Exchange difference on translating foreign operations	-	-	-	-	-	-	(1,895)	-	(1,895)
Total comprehensive expense for the period	-	-	-	-	-	-	(1,895)	(12,235)	(14,130)
Recognition of equity-settled share-based payment expense	-	-	-	2,091	-	-	-	-	2,091
Transfer to statutory reserve	-	-	-	-	-	107	-	(107)	-
As at 31 December 2022 (Unaudited)	8,016	187,196	22,217	18,666	(11,131)	4,715	(13,317)	(100,480)	115,882

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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, Regetta 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 the data centre business in the PRC and Hong Kong from January 2020. In June 2021, a subsidiary of the Group, 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("WNT"), entered into a buildout management agreement with Gu'an Fu'ai Electronics Co. Ltd. ("Gu'an Fu'ai") to commence buildout management service.

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

2. BASIS OF PREPARATION

The financial period reported by the Group for the 2022/23 Interim report will cover the six months from 1 July 2022 to 31 December 2022, and the comparable data will cover the six months for the corresponding period in 2021.

The Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2022 and the comparable figures for last year have not been audited, which have been prepared in accordance with Hong Kong Accounting Standards 34 ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure provisions under the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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 audited financial statements of the Group for the eighteen months ended 30 June 2022.

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

3. 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 assessment of performance and resource allocation.

For the six months ended 31 December 2022 (the "**Reporting Period**"), the Group has three reportable segments, which is manufacture and sale of furniture products, data centre business and buildout management service. For the convenience of comparison, the data center business for the corresponding period in 2021 was restated according to the annual audit opinion, and had been sub-divided into the data center segment and the buildout management service segment for examination. The "Net revenue from construction management agreement services" was also excluded from "Other income, net" in the condensed consolidated statement of profit or loss and other comprehensive income and was restated to "Revenue" and "Cost of sales". 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;
- Data centre segment — data centre business in the PRC and Hong Kong provide information technology management service in Hong Kong; and
- Buildout management service segment — provide engineering and management service for buildout projects in the PRC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

3. SEGMENT REPORTING (Continued)

(a) Reportable segment revenue and results

	Manufacture and sale of furniture products		Data centre		Buildout management service		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	Restated (unaudited)	(Unaudited)	Restated (unaudited)	(Unaudited)	Restated (unaudited)
Segment revenue								
Sale of furniture products	26,888	32,106	-	-	-	-	26,888	32,106
Information technology management service	-	-	1,027	265	-	-	1,027	265
Internet access connection service	-	-	153	239	-	-	153	239
Data centre operating and security service	-	-	-	508	-	-	-	508
Rental of server racks	-	-	10,953	10,006	-	-	10,953	10,006
Buildout management service	-	-	-	-	31,738	31,680	31,738	31,680
	26,888	32,106	12,133	11,018	31,738	31,680	70,759	74,804
Segment results	(6,754)	(12,355)	(81)	(2,254)	1,520	(289)	(5,315)	(14,898)
Unallocated expenses*							(3,697)	(12,166)
Other income							1,899	1,203
Interest expense on convertible bonds							(4,767)	(3,353)
Loss before income tax							(11,880)	(29,214)

* The unallocated expenses comprised mainly of equity-settled share-based payments, 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 SIX MONTHS ENDED 31 DECEMBER 2022

3. SEGMENT REPORTING (Continued)

(b) Reportable segment assets and liabilities

	Office furniture		Data centre		Buildout management service		Total	
	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Segment assets	111,326	116,875	60,850	71,364	659	28,262	172,835	216,501
Loan receivables							50,000	50,000
Cash and cash equivalents							1,652	1,721
Unallocated corporate assets							3,530	1,588
							228,017	269,810
Segment liabilities	(17,773)	(16,706)	(19,145)	(25,760)	(2,278)	(32,455)	(39,196)	(74,921)
Convertible bonds							(70,801)	(64,835)
Unallocated corporate liabilities							(2,138)	(2,133)
							(112,135)	(141,889)

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 SIX MONTHS ENDED 31 DECEMBER 2022

3. SEGMENT REPORTING (Continued)

(c) Other segment information

	Manufacture and sale of furniture products		Data centre		Buildout management service		Unallocated		Total	
	For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December		For the six months ended 31 December	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Bank interest income	19	22	84	29	-	-	-	-	103	51
Interest income from other receivables	432	325	396	818	-	-	-	-	828	1,143
Interest income from loan receivables	-	-	-	-	-	-	1,537	1,203	1,537	1,203
Interest income arising from unwinding contract assets with significant financing component	69	58	-	-	-	-	-	-	69	58
Interest expense on lease liabilities	9	9	220	470	-	-	-	-	229	479
Interest expense on convertible bonds	-	-	-	-	-	-	4,767	3,353	4,767	3,353
Amortisation of intangible assets	-	-	-	2,804	-	-	-	-	-	2,804
Depreciation of right-of-use assets	249	383	1,674	7,011	-	-	-	-	1,923	7,394
Depreciation of property, plant and equipment	2,450	2,458	-	-	-	-	-	-	2,450	2,458
Loss on written off and disposal of property, plant and equipment	55	43	-	-	-	-	-	-	55	43
Impairment loss on trade and other receivables	680	4,549	561	-	-	-	-	-	1,241	4,549
Addition to property, plant and equipment	798	2,169	-	-	-	-	-	-	798	2,169
Addition to right-of-use assets	449	-	-	-	-	-	-	-	449	-

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

3. SEGMENT REPORTING (Continued)

(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 2022 RMB'000 (Unaudited)	Three months 2021 RMB'000 Restated (Unaudited)	Six months 2022 RMB'000 (Unaudited)	Six months 2021 RMB'000 Restated (Unaudited)
Revenue from external customers				
The PRC	34,325	26,319	70,732	74,531
Hong Kong, the PRC	14	12	27	273
	34,339	26,331	70,759	74,804

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

3. SEGMENT REPORTING (Continued)

(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 and Customer C from manufacture and sale of furniture products, and Customer D from buildout management service segment are as follows:

	Ended 31 December		Ended 31 December		From reporting segment
	Three months 2022	Three months 2021	Six months 2022	Six months 2021	
	RMB'000	RMB'000	RMB'000	RMB'000	
	(Unaudited)	(Restated) (Unaudited)	(Unaudited)	(Restated) (Unaudited)	
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	4,251	-	N/A	-	Manufacture and sale of furniture products
Customer D	9,572	N/A	31,738	31,680	Buildout management service

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

4. REVENUE

For the convenience of comparison, After excluding “net income from buildout management agreement services” under “other income, net” in the condensed consolidated statement of profit or loss and other comprehensive income based on the annual audit opinion and reclassifying it to “revenue” and “cost of sales” items, the revenue is analyzed as follows:

	Ended 31 December		Ended 31 December	
	Three months 2022 RMB'000 (Unaudited)	Three months 2021 RMB'000 Restated (Unaudited)	Six months 2022 RMB'000 (Unaudited)	Six months 2021 RMB'000 Restated (Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15				
Sale of furniture products	18,449	20,191	26,888	32,106
Information technology management service	525	4	1,027	265
Internet access connection service	80	102	153	239
Data centre operating and security service	–	258	–	508
Buildout management service	9,572	890	31,738	31,680
	28,626	21,445	59,806	64,798
Revenue from other sources				
Rental of server racks	5,713	4,886	10,953	10,006
	34,339	26,331	70,759	74,804

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 2022 RMB'000 (Unaudited)	Three months 2021 RMB'000 Restated (Unaudited)	Six months 2022 RMB'000 (Unaudited)	Six months 2021 RMB'000 Restated (Unaudited)
Timing of revenue recognition				
At a point in time	18,449	20,191	26,888	32,106
Over time	10,177	1,254	32,918	32,692
	28,626	21,445	59,806	64,798

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

4. REVENUE (Continued)

During the Reporting Period, the Group's revenue was divided into three parts by reporting segment: sale of furniture products, data centre business and buildout management service with an analysis as follows:

	Ended 31 December		Ended 31 December	
	Three months 2022 RMB'000 (Unaudited)	Three months 2021 RMB'000 Restated (Unaudited)	Six months 2022 RMB'000 (Unaudited)	Six months 2021 RMB'000 Restated (Unaudited)
Sale of furniture products	18,449	20,191	26,888	32,106
Data centre business	6,318	5,250	12,133	11,018
Buildout management service	9,572	890	31,738	31,680
	34,339	26,331	70,759	74,804

5. INCOME TAX EXPENSE/(CREDIT)

	Ended 31 December		Ended 31 December	
	Three months 2022 RMB'000 (Unaudited)	Three months 2021 RMB'000 (Unaudited)	Six months 2022 RMB'000 (Unaudited)	Six months 2021 RMB'000 (Unaudited)
Current tax				
— Tax for the period	60	(269)	474	—
Deferred tax				
— Current period	(59)	(410)	(119)	(820)
	1	(679)	355	(820)

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.

Provision was made for Hong Kong Profits Tax for the Reporting Period and the corresponding period of last year on a two-tiered profit tax basis, with provision for the first HK\$2 million of estimated assessable profits at a rate of 8.25%, and the estimated assessable profit in excess of HK\$2 million was provided at a rate of 16.5%.

Provision for the enterprise income tax in the PRC was 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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

5. INCOME TAX EXPENSE/(CREDIT) (Continued)

During the Reporting Period and the corresponding period of last year, except for individual subsidiaries that have made profits and have accrued income tax according to regulations, other subsidiaries are not required to pay corporate income tax due to losses or profits but need to make up for the losses for previous years.

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (corresponding period in 2021: nil). No shareholder has agreed to waive dividends.

7. 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 and ordinary shares in issue (both amounted 907,333,333) for the six months ended 31 December 2022 and 2021.

	Ended 31 December		Ended 31 December	
	Three months 2022 RMB'000 (Unaudited)	Three months 2021 RMB'000 (Unaudited)	Six months 2022 RMB'000 (Unaudited)	Six months 2021 RMB'000 (Unaudited)
The loss used to calculate the basic loss per share	(5,112)	(12,035)	(12,235)	(28,394)
	'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	907,333

Note: The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the six months ended 31 December 2022 of approximately RMB12.235 million (corresponding period of last year: a loss of approximately RMB28.394 million), and on the weighted average number of 907,333,333 ordinary shares of the Company in issue (corresponding period of last year: 907,333,333).

There were no outstanding convertible bonds and share options which had antidilutive effect on the basic loss per share during the Reporting Period and the corresponding period of last year. Accordingly, the diluted loss per share was the same as the basic loss per share.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

8. TRADE, LEASE AND OTHER RECEIVABLES

	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Trade receivables (Note (a))	18,553	11,883
Lease receivables (Note (b))	3,610	6,741
Other receivables (Note (c))	15,300	25,772
Deposits	1,621	2,365
Prepayments (Note (d))	23,455	26,374
	62,539	73,135
Less: loss allowances	(12,438)	(11,198)
	50,101	61,937

(a) Trade receivables

	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Total trade receivables	18,553	11,883
Less: loss allowances	(7,907)	(6,975)
Trade receivables, net	10,646	4,908

As at 31 December 2022, included in total trade receivables are trade receivables of RMB15,000,000 (30 June 2022: RMB8,258,000) and quality assurance deposit receivables of RMB1,666,000 (30 June 2022: RMB1,643,000) from manufacture and sale of furniture products. 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.

As at 31 December 2022, included in total trade receivables are trade receivables of RMB1,887,000 (30 June 2022: RMB1,982,000) from data centre segment. The credit periods on service contracts with customers are normally within 30 days or up to 90 days from the invoice date, depending on the terms of the contracts.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

8. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Within 3 months	10,056	3,703
More than 3 months	8,497	8,180
	18,553	11,883

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 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Current (not past due)	8,194	2,994
Less than 1 month past due	614	770
1 to 3 months past due	83	296
More than 3 months but less than 6 months past due	248	464
More than 6 months past due	1,507	384
	10,646	4,908

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 SIX MONTHS ENDED 31 DECEMBER 2022

8. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

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

	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
At the beginning of the year	6,975	3,679
Loss allowance recognised during the year	932	3,296
At the end of the year (period)	7,907	6,975

As at 31 December 2022, the Group applied simplified approach to measure lifetime expected credit losses (“ECLs”) on the Group’s trade receivables for manufacture and sale of furniture products segment of RMB15,000,000 (30 June 2022: RMB8,258,000) using a provision matrix.

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

As at 31 December 2022

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Current (not past due)	11.6	9,236	1,071	8,165
Less than 1 month past due	11.7	695	81	614
1 to 3 months past due	28.5	116	33	83
More than 3 months but less than 6 months past due	52.4	520	273	247
More than 6 months past due	100.0	4,433	4,433	–
		15,000	5,891	9,109

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

8. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

As at 30 June 2022

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
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

As at 31 December 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's quality assurance deposit receivables for manufacture and sale of furniture products segment of RMB1,666,000 (30 June 2022: RMB1,643,000) using probability-default model. The ECL rate was 87.3% (30 June 2022: 53.7%), the loss allowance as at the end of the Reporting Period was RMB1,454,000 (30 June 2022: RMB882,000).

As at 31 December 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB1,887,000 using probability-default model. The ECL rate was 29.72%. The loss allowance as at the end of the Reporting Period was RMB562,000. 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%. The loss allowance as at the end of the Reporting Period was RMB3,000.

(b) Lease receivables

As at 31 December 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB3,610,000 using probability-default model. The ECL rate was 2.2%. The loss allowance as at the end of the Reporting Period was RMB80,000. 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%. The loss allowance as at the end of the Reporting Period was RMB78,000.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

8. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

(c) Other receivables

- (i) As at 31 December 2022, among the other receivables, three (30 June 2022: three) debt instruments of RMB11,000,000 (30 June 2022: RMB24,000,000) were due from financial institutions and independent third parties in the PRC. The balance were unsecured, interest-bearing at 7.0% to 7.1% (30 June 2022: 7.1% to 12%) per annum and is repayable in five to six months (30 June 2022: 3 to 6 months).
- (ii) As at 31 December 2022, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB16,921,000 (30 June 2022: RMB28,137,000) using probability-default model and made loss allowance of RMB725,000 (30 June 2022: RMB576,000) at the end of the period/year.

(d) Prepayments

- (i) As at 31 December 2022, the prepayments of approximately RMB17,161,000 (30 June 2022: RMB19,902,000) were prepayments provided for the suppliers in respect of the purchase of raw materials.
- (ii) As at 31 December 2022, the Group applied general approach to measure ECLs on the Group's prepayments of RMB23,455,000 (30 June 2022: RMB26,374,000) using probability-default model and made loss allowance of RMB3,726,000 (30 June 2022: RMB3,569,000) at the end of the period/year.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

9. TRADE AND OTHER PAYABLES

	As at 31 December 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Trade payables (<i>Note (a)</i>)	9,432	9,717
Other payables and accruals (<i>Note (b)</i>)	15,171	19,780
Other tax payables	1,206	1,045
	25,809	30,542

(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 2022 RMB'000 (Unaudited)	As at 30 June 2022 RMB'000 (Audited)
Within 3 months	6,119	5,707
More than 3 months	3,313	4,010
	9,432	9,717

(b) Other payables and accruals

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

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, the Group commenced to carry out buildout management service business.

Manufacture and sale of furniture products business

During the Reporting Period, the Group achieved a revenue from manufacture and sale of furniture products segment of approximately RMB26.9 million, representing a decrease of approximately RMB5.2 million or approximately 16.3% as compared to the corresponding period of last year. Due to intensified market competition, the overall demand of the furniture industry is very weak, and customers tend to be more cautious in purchasing or replacing furniture. The spread of the novel coronavirus epidemic across the country has caused intensified lockdowns in various areas since January 2022 and almost throughout the entire Reporting Period. The normal operations of enterprises have been greatly affected, and bidding activities in various areas have decreased significantly as compared to the same period last year. The impact on the furniture industry has exceeded our previous expectations. Together with the impact of the half-month power outage suspension of Sichuan Province in August, the Group's furniture production line in Chengdu was in a semi-shutdown state for almost the entire Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Under the above circumstance, the Group decided to focus on consolidating the markets in the southwestern regions including Sichuan Province, together with coordinating the supply chain relationship between customers and suppliers by paying extra installation and delivery fees, loading and unloading expenses in order to ensure on time delivery of customers' orders in Sichuan Province. At the same time, the Company strictly controls various costs and expenses, actively collects large amounts of overdue accounts receivable, and strives to eliminate the influence of various adverse factors. The Company has achieved certain results, in which the loss decreased significantly as compared to the corresponding period of last year. During the Reporting Period, the loss before income tax of manufacture and sale of furniture products segment was approximately RMB6.8 million (corresponding period of last year: loss before income tax of approximately RMB12.4 million).

Data centre business

During the Reporting Period, the Group achieved a revenue from the existing business of the data centre segment of approximately RMB12.1 million, representing an increase of approximately RMB1.1 million or approximately 10.1% as compared to the corresponding period of last year. Although the current revenue from the data centre segment is mainly the rental income from server rack rentals, making the business relatively stable, whereas, due to the pessimistic sentiment of the novel coronavirus epidemic that has lasted for more than three years, some customer did not renew their leases upon expiry or were undergoing business downsizing. As such, the Company strived to maintain existing long-term customers through keeping good communication with customers and enhancing customer stickiness. Based on the efforts above, the Company tapped into the inherent potential of long-term customers and assisted in their expansion and growth while endeavouring to develop new customer bases through various channels and has achieved certain results where the total revenue of new customers is more than the revenue lost from the existing customers. During the Reporting Period, the loss before income tax of the existing business of the data centre segment was approximately RMB0.08 million (corresponding period of last year: loss before income tax of approximately RMB2.25 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Buildout management service business

In June 2021, two subsidiaries of the Group, WNT entered into a buildout management agreement with Gu'an Fu'ai to provide engineering and management service as construction manager for buildout construction works and the profit or loss of the relevant business is recognised according to the progress of the buildout management project. During the Reporting Period, the Group recognised a net of management expenses profit before income tax of approximately RMB1.52 million from buildout management service business segment (corresponding period of last year: loss before income tax of approximately RMB0.29 million).

During the Reporting Period, the Group achieved a revenue of approximately RMB70.8 million, representing a decrease of approximately RMB4.0 million or approximately 5.4% as compared to the corresponding period of last year. During the Reporting Period, the Group recorded a loss of approximately RMB12.2 million, as compared with the loss of approximately RMB28.4 million recorded by the Group for the corresponding period of last year. For details on the decrease of loss and analysis of revenue, cost, fees and other indicators for the Reporting Period, please refer to the section headed "Management Discussion and Analysis — Financial Review" of this announcement.

Prospects

Looking forward, in the face of the relentless outbreak of the novel coronavirus epidemic, the escalating Russia-Ukraine war and the continuous restrictions on China's economy imposed by the US, it seems that the outbreak of global inflation crisis and economic recession are inevitable. However, as China fully liberalises the control of the novel coronavirus epidemic, domestic uncertainties are gradually eliminated, the confidence in consumers is gradually restored, and China's economy is expected to improve and recover strongly. Recently, the State Council re-emphasised that real estate is a pillar industry of the national economy, and proposed to support the stable development of the real estate market and the smooth transition to a new development model. Therefore, the Group strongly believes that the furniture market will recover in the future. The Group will actively seize opportunities to first further stabilise the southwestern market, and expand markets outside the southwestern region when conditions permit. The Group will strive to improve the current operating conditions of the furniture segment, and will ensure that the market share in the southwest market and a reasonable profit margin to achieve a balance by making use of its staff incentive mechanism.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of data centre segment, apart from maintaining the existing business, the Company has been exploring opportunities for the expansion of the business scope of the Group to further improve the profitability of its data centre business. The Company will grasp the strategic opportunity arising from the development of data centers by the Chinese government in an effort to consolidate its strengths and capability, take its business scale to a higher level and increase its market share and competitiveness.

The Group has commenced its buildout management services in June 2021, and the experience and expertise related to the buildout projects will constitute part of the track record of WNT, which may bring more business opportunities. Meanwhile, WNT will be able to establish a business network with professional investors, contractors and suppliers to further develop its data centre business, such as providing value-added services and installation and maintenance services to other data centres.

We believe that the above initiatives will effectively increase the future profitability of the Group, and will have a positive impact on its profitability and asset operation in the coming years, bring benefits to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB70.8 million, representing a decrease of approximately RMB4.0 million or approximately 5.4% 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 RMB26.9 million, representing a decrease of approximately RMB5.2 million or approximately 16.3% as compared to the same period last year, which was mainly attributable to the facts that:

- (i) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing (including the Chongqing Branch Office) decreased by approximately RMB4.7 million or approximately 15.1% as compared to the corresponding period of last year. During the Reporting Period, the revenue of Sichuan Province increased by approximately RMB0.67 million or approximately 2.9% as compared with the corresponding period of last year; the revenue of the Tibet Autonomous Region increased by approximately RMB0.73 million or 764.7% as compared with the corresponding period of last year, which was benefited by a large customer in the region who achieved a revenue of approximately RMB0.79 million during the Reporting Period, and the sales base in the corresponding period of last year was relatively small; the revenue of Chongqing City decreased by approximately RMB4.9 million or approximately 77.6% as compared to the corresponding period of last year, which was mainly attributable to the fact that there were 4 large customers with over RMB500,000 in total revenue of approximately RMB3.3 million in the corresponding period of last year, while the number of customers of this category was relatively small during the Reporting Period. In addition, a financial customer achieved revenue of approximately RMB1.4 million in the corresponding period of last year, but that customer did not realise revenue during the Reporting Period; the revenue of Guizhou Province decreased by approximately RMB1.2 million or approximately 86.4% as compared with the corresponding period of last year; the sales data of Yunnan Province were relatively small in both years, which did not constitute a significant impact. The above-mentioned decline in revenue in Chongqing City and Guizhou Province is the main reason for the year-on-year decline in revenue in the five southwestern provinces and regions.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the very sluggish real estate market and the overall demand of the furniture industry is very weak, customers tend to be more cautious in purchasing or replacing furniture. The spread of the novel coronavirus epidemic across the country has caused intensified lockdowns in various areas and almost throughout the entire Reporting Period. The normal operations of enterprises have been greatly affected, and bidding activities in various areas have decreased significantly as compared to the corresponding period of last year. Together with the impact of the half-month power outage suspension of Sichuan Province in August, the Group's furniture production line in Chengdu was in a semi-shutdown state for almost the entire Reporting Period.

- (ii) The sales data of other provinces and regions other than the five southwest provinces and regions are relatively small in both years, of which the revenue of Beijing City and Zhejiang Province has dropped significantly as compared to last year; while the revenue of Guangdong Province has improved as compared to last year, which has made up for the decrease in revenue from the manufacture and sale of furniture products segment to a certain extent.

Data centre segment: during the Reporting Period, the existing business of the data centre segment achieved a revenue of approximately RMB12.1 million, representing an increase of approximately RMB1.1 million or approximately 10.1% as compared to the corresponding period of last year. Due to the impact of novel coronavirus epidemic, some customers' leases were not renewed upon expiry. The Company has stepped up efforts to expand new customers and strive to maintain long-term customers, and has achieved certain results, the total revenue of new customers is more than the revenue lost from the existing customers, all of which were the main reasons for the year-on-year increase in revenue of the data centre segment.

Buildout management service segment: during the Reporting Period, the Group recognised the revenue generated from the buildout management services of approximately RMB31.8 million, representing a slight increase of approximately RMB0.1 million or 0.2% as compared to the corresponding period of last year. This segment mainly recognises revenue based on the completion progress of buildout management projects.

MANAGEMENT DISCUSSION AND ANALYSIS

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 buildout management service. The Group's cost of sales for the Reporting Period was approximately RMB65.5 million, representing a decrease of approximately RMB7.3 million or approximately 10.1% 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 RMB25.8 million, representing a decrease of approximately RMB5.5 million or approximately 17.7% as compared to the same period last year. The provision for loss of inventories during the Reporting Period decreased by approximately RMB0.7 million as compared to the same period last year, which facilitated the decrease in material cost of sales and the recovery of 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 RMB5.8 million; (ii) wages of production staff increased by approximately RMB0.35 million, mainly due to the increase in the proportion of self-made products and the increase of temporary overtime wages to ensure on-time delivery for customer orders; and (iii) other production expenses slightly decreased by approximately RMB0.05 million as compared to last year.

Data centre segment: cost of sales of the existing business for the Reporting Period was approximately RMB10.9 million, representing a decrease of approximately RMB1.2 million or approximately 10.1% as compared to the corresponding period of last year. The decrease in cost of sales were mainly attributable to the facts that: (i) the cost of sales for the corresponding period of last year included the amortisation of the intangible assets arising from the acquisition of the data centre of approximately RMB2.8 million in the corresponding period of last year, while the above mentioned intangible assets has completed the amortisation last year, so there were no expenses related to the amortisation during the Reporting Period; and (ii) the increase in wages and other overhead as compared to the corresponding period of last year, which partially offset the decrease in cost of sales resulting from (i) above.

MANAGEMENT DISCUSSION AND ANALYSIS

Buildout management service segment: during the Reporting Period, the Group recognised the cost of the buildout management services of approximately RMB28.8 million, representing a decrease of approximately RMB0.6 million or approximately 2.0% as compared to the corresponding period of last year. This segment mainly recognises revenue based on the completion progress of buildout management projects.

Gross profit

The gross profit recognised by the Group increased from approximately RMB2.0 million in the corresponding period of last year to approximately RMB5.3 million in the Reporting Period. Of which:

Manufacture and sale of furniture products segment: during the Reporting Period, the gross profit amounted to approximately RMB1.1 million, representing a year-on-year increase of gross profit of approximately RMB0.3 million or approximately 43.9%. The gross profit margin of furniture increased from approximately 2.4% in the corresponding period of last year to approximately 4.1% during the Reporting Period. As mentioned from the above, affected by the weak overall demand of the furniture industry and the intensified lockdowns in various areas caused by the spread of the novel coronavirus epidemic across the country, the bidding activities in various areas have decreased significantly as compared to the same period last year. Together with the impact of the half-month power outage suspension of Sichuan Province in August, the Group's furniture production line in Chengdu was in a semi-shutdown state for almost the entire Reporting Period. As such, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: gross profit of the existing business for the Reporting Period was approximately RMB1.3 million. Gross profit increased by approximately RMB2.3 million as compared to the corresponding period of last year. The gross profit margin increased from approximately -9.7% for the corresponding period of last year to approximately 10.5% for the Reporting Period, which were mainly attributable to the facts that: (i) the amortisation of the intangible assets arising from the acquisition of the data centre of approximately RMB2.8 million in the corresponding period of last year, while the above mentioned intangible assets has completed the amortisation last year, so there were no expenses related to the amortisation during the Reporting Period; and (ii) the increase in wages and other overhead as compared to the corresponding period of last year, which partially offset the increase in gross profit resulting from (i) above.

Buildout management service segment: during the Reporting Period, the Group recognised the gross profit of the buildout management services of approximately RMB2.9 million, representing an increase of approximately RMB0.7 million or approximately 28.5% as compared to the corresponding period of last year, which was mainly attributable to the slight increase in the sales revenue during the Reporting Period, and the decrease in cost as compare to the corresponding period of last year.

Other income, net

During the Reporting Period, the Group recognised other income, net of RMB3,039,000, representing an increase of approximately 18.1% as compared to the corresponding period of last year. The increases were mainly attributable to the facts that: (i) interest income of loan receivable during the Reporting Period increased by approximately RMB334,000 as compared to the corresponding period of last year, which was mainly attributable to the increase in interests of loans of RMB50.0 million granted by the Company to Mega Data Investment Limited (“**SPV**”); (ii) the Company provides pledged properties and obtains corresponding pledge income of approximately RMB362,000; (iii) interest income from other receivables during the Reporting Period decreased by approximately RMB315,000 as compared to the corresponding period of last year, mainly attributable to the decrease of the interest income from other receivables of data centre segment; and (iv) deposit interest and other items increased by approximately RMB85,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

During the Reporting Period, the Group recognised selling and distribution expenses of approximately RMB3.6 million, representing a decrease of approximately RMB0.4 million or approximately 10.2% as compared to the corresponding period of last year, of which: the data centre segment, the buildout management service segment did not incur any selling expenses during the Reporting Period. The year-on-year decrease of selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to the fact that: despite the increase in wages, installation and delivery fees, loading and unloading expenses incurred since the Company wanted to ensure to deliver customer orders as scheduled under the impact of the novel coronavirus epidemic lockdowns and the power outage of Sichuan Province was suspended for half a month in August, the Company's strict control of daily expenses, the decrease in business entertainment expenses, exhibition hall decoration expenses, office expenses, vehicle expenses and other expenses during the Reporting Period were more than the increase in the above-mentioned selling expenses, resulting in an overall decrease in selling and distribution expenses as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other expenses

During the Reporting Period, the Group recognised the administrative and other expenses of approximately RMB11.6 million, representing a decrease of approximately RMB14.3 million or approximately 55.1% as compared to the corresponding period of last year, of which: administrative and other expenses of the data centre segment and buildout management service segment amounted to approximately RMB3.1 million, representing a decrease of approximately RMB1.1 million or 26.4% as compared to the corresponding period of last year. The decreases were mainly attributable to the year-on-year decrease in legal and professional fees incurred during the Reporting Period. At the same time, the decrease in administrative and other expenses was partially offset by the provision for ECLs of trade of approximately RMB0.6 million during the Reporting Period.

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 RMB8.5 million, representing a decrease of approximately RMB13.2 million or 60.8% as compared to the corresponding period of last year. The decreases were mainly attributable to the facts that: (i) the recognition of share-based equity settled payment expenses of the Company was decreased by approximately RMB9.6 million as compared to the corresponding period of last year; (ii) due to the recovery of some overdue trade receivables, the provision for ECLs of trade and other receivables and prepayments of the Company decreased by approximately RMB3.9 million as compared to the corresponding period of last year. In addition, the decrease in administrative expenses was partially offset by the increase in daily administrative expenses of the Hong Kong headquarter as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

The Group incurred finance costs of approximately RMB5.0 million during the Reporting Period, while the finance costs of the Group in corresponding period of last year was approximately RMB3.8 million, representing a year-on-year increase of approximately 30.4%. The increase of the Group's finance costs was mainly due to: (i) the interest expense arising from the issuance of convertible bonds by the Group increased by approximately RMB1.4 million as compared to the corresponding period of last year, which was mainly attributable to the completion of the placing of convertible bonds with a total principal amount of US\$8 million on 6 August 2021, and the year-on-year increase in the imputed interest expense incurred; (ii) the interest expense on lease liabilities incurred under the HKFRS 16 decreased by approximately RMB0.2 million as compared to the corresponding period of last year.

Income Tax Expense

The Group's income tax expense for the Reporting Period was approximately RMB355,000, as compared to the income tax credit of approximately RMB820,000 in the corresponding period of last year. The income tax expense of the Group were due to the facts that: (i) during the Reporting Period, the subsidiaries under data centre segment began to accrue and pay income tax after making up for the losses of the previous years. Apart from that, the other subsidiaries of the Group was either in a loss or recorded a profit which was not subject to income tax due to the compensation for the loss of the previous years for the corresponding period; (ii) deferred tax credit in respect of the acquisition of data centre segment and the fair value adjustment of assets caused by the acquisition of subsidiaries in previous years decreased significantly during the Reporting Period as compared to the corresponding period of last year.

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 2022, the Group had net current assets of approximately RMB58.5 million (30 June 2022: approximately RMB63.1 million) including bank balances and cash of approximately RMB32.2 million (30 June 2022: approximately RMB28.9 million). As at 31 December 2022, the Group did not have outstanding interest-bearing bank loan (30 June 2022: nil). As at 31 December 2022, the Group's current ratio (defined as the ratio of current assets to current liabilities) was approximately 2.7 (30 June 2022: approximately 1.9).

CAPITAL STRUCTURE

As at 31 December 2022, the Group's total equity attributable to the owners of the Company amounted to approximately RMB115.9 million (30 June 2022: approximately RMB127.9 million). The Group's equity attributable to the owners of the Company includes share capital and capital reserve.

GEARING RATIO

As at 31 December 2022, 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 0.77 (30 June 2022: approximately 0.72).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group was not aware of any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS HELD

As of 31 December 2022, 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 2022. However, the Group will review and monitor from time to time the risk relating to foreign exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

During the Reporting Period, the Group has no significant events that shall be disclosed but had not been disclosed.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, the Group did not have any events that should be disclosed but had not been disclosed.

INFORMATION ON EMPLOYEES

As at 31 December 2022, the Group engaged a total of 195 employees (31 December 2021: 197) including the Directors. For the six months ended 31 December 2022, total staff costs amounted to approximately RMB7.35 million (same period of 2021: approximately RMB6.52 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 Company entered into an agreement with 東莞市耀邦集團有限公司 (Dongguan Yaobang Group Company Limited, "**Yaobang Group**") on 25 January 2022, whereby the Company will provide a parcel of land and buildings located at Chengdu City as a pledge for a term of 36 months, to assist Yaobang Group in securing financing from the bank(s). At the extraordinary general meeting held on 12 April 2022 held by the Company, it was resolved to approve, confirm and ratify the above agreement. For details of the agreement, please refer to the announcement dated 25 January 2022 and the circular dated 25 March 2022 of the Company.

On 25 May 2022, the financing arrangement between Yaobang Group and a bank was finalized, which authorized its subsidiary to enter into a borrowing agreement with ICBC for a working capital amounted RMB45.0 million with a loan term of 12 months from the date of withdrawal.

Other than that, the Group had no guarantee contract in respect of asset pledge.

OTHER INFORMATION

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 or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at the date of this announcement, the Group did not have any material disposals and acquisitions of subsidiaries and affiliated companies.

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. Li Saint Chi Sainti. 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 six months ended 31 December 2022. 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 six months ended 31 December 2022 and up to the date of this announcement.

CHANGE IN INFORMATION OF DIRECTORS

For the six months ended 31 December 2022, there was no change in the information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

OTHER INFORMATION

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, 14 February 2023

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.qtbj.com.