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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 Stock Exchange. 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 or this announcement 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 year ended 31 December 2020, together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*5*	**82,419**	48,610
Cost of sales		**(76,528)**	(37,897)
Gross profit		**5,891**	10,713
Other income	*6*	**3,808**	905
Selling and distribution expenses		**(8,675)**	(8,645)
Administrative and other expenses		**(22,589)**	(17,989)
Impairment loss on trade and other receivables		**(1,515)**	(2,398)
Finance costs	*7*	**(4,576)**	(130)
Loss before income tax	*8*	**(27,656)**	(17,544)
Income tax credit	*9*	**703**	1,073
Loss for the year attributable to the owners of the Company		**(26,953)**	(16,471)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(824)**	392
Total comprehensive expense for the year attributable to the owners of the Company		**(27,777)**	(16,079)
Loss per share			
— Basic and diluted (RMB cents)	*11*	**(2.98)**	(2.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**46,899**	51,570
Right-of-use assets		**37,613**	15,993
Intangible asset		**8,251**	–
Goodwill		**30,827**	–
Total non-current assets		**123,590**	67,563
Current assets			
Financial assets at fair value through profit or loss		**–**	4,115
Inventories		**15,667**	21,611
Contract assets		**2,668**	3,432
Trade, lease and other receivables	*12*	**58,820**	44,917
Cash and cash equivalents		**64,552**	49,079
Total current assets		**141,707**	123,154
Total assets		**265,297**	190,717
Current liabilities			
Contract liabilities		**2,882**	3,810
Trade and other payables	*13*	**21,156**	11,279
Bank borrowings	*14*	**30,000**	–
Lease liabilities		**14,861**	901
Tax payable		**2**	–
Total current liabilities		**68,901**	15,990
Net current assets		**72,806**	107,164
Total assets less current liabilities		**196,396**	174,727

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Non-current liabilities			
Lease liabilities		**10,088**	1,131
Convertible bonds		**7,041**	–
Deferred tax liabilities		**7,044**	5,219
Total non-current liabilities		**24,173**	6,350
Total liabilities		**93,074**	22,340
NET ASSETS		**172,223**	168,377
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**8,016**	7,100
Reserves	*16*	**164,207**	161,277
TOTAL EQUITY		**172,223**	168,377

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital	Share premium	Convertible bonds equity 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*
As at 1 January 2019	5,923	137,989	–	(11,131)	4,158	(8,971)	29,474	157,442
Loss for the year	–	–	–	–	–	–	(16,471)	(16,471)
Other comprehensive income: Exchange difference arising on translating of foreign operations	–	–	–	–	–	392	–	392
Total comprehensive expense for the year	–	–	–	–	–	392	(16,471)	(16,079)
Issue of shares upon the Placing *(Note 15)*	1,177	25,837	–	–	–	–	–	27,014
As at 31 December 2019	**7,100**	**163,826**	**–**	**(11,131)**	**4,158**	**(8,579)**	**13,003**	**168,377**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(26,953)**	**(26,953)**
Other comprehensive income: 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 15(b))*	**916**	**23,370**	**–**	**–**	**–**	**–**	**–**	**24,286**
Issue of Convertible Bonds	**–**	**–**	**7,337**	**–**	**–**	**–**	**–**	**7,337**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**340**	**–**	**(340)**	**–**
As at 31 December 2020	**8,016**	**187,196**	**7,337**	**(11,131)**	**4,498**	**(9,403)**	**(14,290)**	**172,223**

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 in the PRC; and started to engage in data centre business in the PRC after completion of the acquisition of the entire issued share capital of Polyqueue Limited on 15 January 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7, and HKFRS 9	Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions. Impact on the applications of this amended HKFRS is summarised below.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). However, the financial statements are presented in Renminbi ("RMB") instead of its functional currency as RMB is the principal currency of the economic environment on which the Group operates.

4. SEGMENT REPORTING

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 2019, the Group has only one reportable segment, which is manufacture and sale of office furniture products. For the year ended 31 December 2020, the Group started to have one more reportable segment, which is to conduct data centre business by acquiring Polyqueue Limited, a subsidiary with major business of data centre. 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; and

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

(a) **Reportable segments revenue and results**

	Office Furniture		Data Centre		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue						
Sale of office furniture products	**57,692**	48,610	**–**	–	**57,692**	48,610
Information technology management service	**–**	–	**294**	–	**294**	–
Internet access connection service	**–**	–	**574**	–	**574**	–
Data centre operating and security service	**–**	–	**2,625**	–	**2,625**	–
Rental of server racks	**–**	–	**21,234**	–	**21,234**	–
	57,692	48,610	**24,727**	–	**82,419**	48,610
Segment results	**(20,087)**	(13,359)	**(3,655)**	–	**(23,742)**	(13,359)
Unallocated expenses					**(3,048)**	(4,185)
Interest income					**6**	–
Interest expense of Convertible Bonds					**(872)**	–
Loss before income tax					**(27,656)**	(17,544)

The Group had no inter-segment transactions during the year ended 31 December 2020.

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

(b) **Reportable segments assets and liabilities**

	Office Furniture		Data Centre		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**176,296**	169,425	**78,057**	–	**254,353**	169,425
Cash and cash equivalents					**10,756**	21,096
Unallocated corporate assets					**188**	196
					265,297	190,717
Segment liabilities	**(46,726)**	(20,907)	**(38,654)**	–	**(85,380)**	(20,907)
Convertible Bonds					**(7,041)**	–
Unallocated corporate liabilities					**(653)**	(1,433)
					(93,074)	(22,340)

Segment assets exclude 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**		**Unallocated**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Bank interest income	**4**	26	**15**	–	**4**	–	**23**	26
Interest income from other receivables	**2,302**	63	**–**	–	**–**	–	**2,302**	63
Interest income arising from unwinding contract assets with significant financing component	**232**	154	**–**	–	**–**	–	**232**	154
Interest expense on bank borrowing	**1,630**	–	**–**	–	**–**	–	**1,630**	–
Interest expense on lease liabilities	**41**	130	**2,033**	–	**–**	–	**2,074**	130
Interest expense on Convertible Bonds	**–**	–	**–**	–	**872**	–	**872**	–
Amortisation of intangible asset	**–**	–	**5,373**	–	**–**	–	**5,373**	–
Depreciation of right-of-use assets	**711**	1,502	**13,822**	–	**–**	–	**14,533**	1,502
Depreciation of property, plant and equipment	**3,896**	3,998	**–**	–	**–**	–	**3,896**	3,998
Loss on written off and disposal of property, plant and equipment	**2**	8	**–**	–	**–**	–	**2**	8
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	**1,475**	1,238	**40**	–	**–**	–	**1,515**	1,238
Write-off of trade and other receivables	**3,036**	117	**–**	–	**–**	–	**3,036**	117
Addition to intangible asset through business combination	**–**	–	**13,624**	–	**–**	–	**13,624**	–
Additions to property, plant and equipment	**53**	493	**–**	–	**–**	–	**53**	493
Additions to right-of-use assets	**865**	138	**–**	–	**–**	–	**865**	138
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.

	2020	2019
	RMB'000	*RMB'000*
Revenue from external customers		
The PRC	**82,125**	48,610
Hong Kong	**294**	–
	82,419	48,610

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 year, revenue derived from the customer from office furniture segment is as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**8,395**	11,089

5. REVENUE

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customer within the scope of HKFRS 15		
Sale of office furniture products	**57,692**	48,610
Information technology management service	**294**	–
Internet access connection service	**574**	–
Data centre operating and security service	**2,625**	–
	61,185	48,610
Revenue from other sources		
Rental of server racks	**21,234**	–
	82,419	48,610

6. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**23**	26
Exchange gain, net	**1**	–
Interest income from other receivables	**2,302**	63
Interest income arising from unwinding contract assets with significant financing component	**232**	154
Dividend income from financial assets at fair value through profit or loss	**395**	463
Fair value changes on financial assets at fair value through profit or loss	**–**	29
Subsidy income	**404**	161
Covid-19 related rent concession	**172**	–
Gain on lease termination	**116**	–
Others	**163**	9
	3,808	905

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**1,630**	–
Interest expense on lease liabilities	**2,074**	130
Interest expense on Convertible Bonds	**872**	–
	4,576	130

8. LOSS BEFORE INCOME TAX

Loss before income tax expense is arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Auditor's remuneration	**712**	635
Cost of inventories recognised as expense, including	**53,193**	37,897
— Write-down of inventories to net realisable value	**4,756**	437
Depreciation of right-of-use assets	**14,533**	1,502
Depreciation of property, plant and equipment	**3,896**	3,998
Amortisation of intangible assets	**5,373**	–
Loss on written off and disposal of property, plant and equipment	**2**	8
Impairment loss on trade and other receivables	**1,515**	2,398
Write-off of trade and other receivables	**3,036**	117
Impairment loss on property, plant and equipment	**822**	–
Impairment loss on right-of-use assets	**38**	–
Short term lease with application of recognition exemption under HKFRS 16	**331**	90
Staff costs (including directors' remuneration)		
— Salaries, allowances and benefits in kind	**13,726**	8,516
— Retirement benefit scheme contribution	**1,208**	2,275
	14,934	10,791

9. INCOME TAX CREDIT

	2020	2019
	RMB'000	*RMB'000*
Current tax		
— tax for the year	**1**	–
— over-provision in respect of prior years	**–**	(834)
	1	(834)
Deferred tax	**(704)**	(239)
Income tax credit	**(703)**	(1,073)

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.

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 years ended 31 December 2020 and 2019.

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" (Caishui 2019 No. 13), 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 RMB20,073,000 (2019: RMB33,402,000) 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.

10. DIVIDENDS

No dividend has been paid or declared during the years ended 31 December 2020 and 2019 nor has any dividend been declared since the end of the reporting period.

11. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the year ended 31 December 2020 of approximately RMB26,953,000 (2019: RMB16,471,000), and the basis of weighted average number of 903,086,758 ordinary shares of the Company in issue (2019: 739,019,178).

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2020 and 2019. Accordingly, the diluted loss per share presented are the same as basic loss per share.

12. TRADE, LEASE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**13,476**	11,713
Lease receivables *(Note (b))*	**2,010**	–
Other receivables *(Note (c))*	**15,490**	9,893
Deposits	**836**	1,695
Prepayments *(Note (d))*	**31,184**	24,277
	62,996	47,578
Less: Loss allowances	**(4,176)**	(2,661)
	58,820	44,917

(a) Trade receivables

	2020	2019
	RMB'000	*RMB'000*
Trade receivables, gross	**13,476**	11,713
Less: Loss allowance	**(3,679)**	(2,661)
Trade receivables, net	**9,797**	9,052

Included in gross trade receivables are trade receivables of RMB11,615,000 and QAD receivables of 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.

Included in gross trade receivables are trade receivables of 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 ageing analysis of trade receivables as of the end of reporting period, based on invoice dates, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**7,545**	3,720
More than 3 months	**5,931**	7,993
	13,476	11,713

The ageing analysis of trade receivables as of the end of reporting period, based on past due dates and net of loss allowance, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Current (not past due)	**3,523**	3,030
Less than 1 month past due	**1,120**	378
1 to 3 months past due	**3,406**	1,276
More than 3 months but less than 6 months past due	**426**	775
More than 6 months past due	**1,322**	3,593
	9,797	9,052

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:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**2,661**	263
Loss allowance recognised during the year	**1,018**	2,398
At end of year	**3,679**	2,661

As at 31 December 2020 and 2019, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for office furniture segment of RMB11,615,000 (2019: RMB11,713,000) 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.

As at 31 December 2020

	ECL rate	**Gross carrying amount**	**Lifetime ECLs**	**Net carrying amount**
	%	***RMB'000***	***RMB'000***	***RMB'000***
Current (not past due)	**0.4**	**3,209**	**12**	**3,197**
Less than 1 month past due	**0.4**	**830**	**3**	**827**
1 to 3 months past due	**8.0**	**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 31 December 2019

	ECL rate %	Gross carrying amount *RMB'000*	Lifetime ECLs *RMB'000*	Net carrying amount *RMB'000*
Current (not past due)	0.1	3,036	6	3,030
Less than 1 month past due	0.5	380	2	378
1 to 3 months past due	4.0	1,325	49	1,276
More than 3 months but less than 6 months past due	20.0	969	194	775
More than 6 months past due	59.8	6,003	2,410	3,593
		11,713	2,661	9,052

As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's QAD receivables for office furniture segment of RMB1,448,000 using probability-default model. The ECL rate was 54.0% and the loss allowance as at year end was RMB782,000.

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

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 year.

(c) Other receivables

(i) As at 31 December 2019, among the other receivables, loan of RMB2,417,000 was due from an independent third party. The loan balance was unsecured, interest-free and repayable in one year. The amount was subsequently paid in full after year ended 31 December 2019.

(ii) As at 31 December 2019, among the other receivables, a debt instrument at amortised cost of RMB5,000,000 and interest receivable of RMB63,000 was due from a financial institution in the PRC. The balance is unsecured, interest bearing at 7.5% per annum and repayable in one year.

(iii) As at 31 December 2020, among the other receivables, two debt instruments at amortised cost of RMB5,000,000 and RMB5,000,000 with respective interest receivables of RMB103,000 and RMB46,000 was due from two financial institutions in the PRC. The balances are unsecured, interest-bearing at 7.6% and 7.6% per annum and repayable in six months.

(iv) As at 31 December 2020, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB16,326,000 using probability-default model and made loss allowance of RMB497,000 during the year.

(d) Prepayments

At 31 December 2020, among the prepayments, approximately RMB29,546,000 (2019: RMB22,571,000) represented prepayments to suppliers for purchase of raw materials.

13. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**7,465**	3,884
Other payables and accruals *(Note (b))*	**10,039**	3,572
Other tax payables	**3,652**	3,823
	21,156	11,279

(a) Trade payables

The ageing analysis of the Group's trade payables as of the end of reporting period, based on invoice dates is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**4,779**	467
More than 3 months	**2,686**	3,417
	7,465	3,884

(b) Included in other payables was RMB6,665,000 due to the registered owner of Beijing Wannuotong Technology Company Limited. The amount was unsecured, interest-free and repayable on demand.

14. BANK BORROWING

	2020	2019
	RMB'000	*RMB'000*
Current — secured		
Bank borrowing	**30,000**	–

As at 31 December 2020, the 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. SHARE CAPITAL — GROUP AND COMPANY

The movements in the issued ordinary share capital during the year are as follows:

	Number	*RMB'000*
Authorised:		
Ordinary shares of the Company of HK$0.01 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,500,000,000	13,493
Issued and fully paid:		
At 1 January 2019	670,000,000	5,923
Issue of shares upon the placing *(Note (a))*	134,000,000	1,177
At 31 December 2019 and 1 January 2020	804,000,000	7,100
Issue of Consideration Shares *(Note (b))*	103,333,333	916
At 31 December 2020	907,333,333	8,016

Notes:

(a) On 25 June 2019, the Company placed 134,000,000 new shares at HK$0.235 per share under general mandate for a total gross proceeds of HK$31,490,000 (the "Placing under the General Mandate"). The net proceeds (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) will be used to finance the use of proceeds as referred to in the Company's announcement dated 25 June 2019 in relation to completion of the Placing under the General Mandate. The proceeds of HK$1,340,000 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK$30,150,000 before issuing expenses, were credited to share premium account of the Company.

(b) 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.

16. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of office furniture products. The products are sold to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province etc. 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 completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties.

Manufacture and sale of furniture business

In 2020, due to the novel coronavirus pneumonia epidemic situation, various furniture biddings almost came to a halt in the first quarter. Although the business resumed gradually from the second half of March, the resumption of production was delayed and the stockpile at the supply chain was rugged. In order to ensure that the customer orders are delivered as scheduled, Sichuan Greenland allocated resources in all aspects, and at the cost of higher staff costs, travel expenses, installation and handling fees and cargo charges, it finally overcame many difficulties and achieved relatively considerable sales performance.

Data Centre Business

The Group completed the acquisition of Polyqueue Limited on 15 January 2020. Financial results of Polyqueue Limited were consolidated into the consolidated financial statements of the Group from the date of completion of the acquisition. The company's financial results are relatively unaffected by the novel coronavirus pneumonia epidemic as its current revenue is mainly from the rental income from server rack letting, and the signed leases is continued until expiry. The company is actively seeking measures to source new customers in order to improve its performance. From the acquisition date up to 31 December 2020, Data Centre business has contributed approximately RMB24.7 million to the Group's revenue and approximately RMB1.7 million to the Group's profit before income tax, and amortisation of intangible asset of RMB5.4 million.

During the year ended 31 December 2020 (the "Reporting Period"), the Group recorded a revenue of approximately RMB82.4 million, representing an increase of approximately RMB33.8 million or approximately 69.6% as compared to the same period last year. During the Reporting Period, the Group recorded a loss of approximately RMB27.0 million, as compared to the loss of approximately RMB16.5 million for the same period last year.

The significant increase in loss was mainly attributable to the lowered gross profit of projects since the end of 2019 to improve the Group's competitiveness. Meanwhile, due to the spread of novel coronavirus pneumonia epidemic in the year, the Group secured more orders at lower product prices to maintain effective operations, and the losses in inventories disposal and the provision for inventory losses increased. As a result, gross profit from furniture decreased by approximately RMB6.4 million or 59.4% compared to the same period last year, despite the 18.7% increase in the furniture revenue for the Reporting Period when compared with the same period last year. The Group amortized the intangible assets of approximately RMB5.4 million arising from the acquisition of Polyqueue Limited was also reflected in the cost of sales, which further lowered the Group's gross profit margin; the administrative and other expenses of the Group increased by approximately 18.2% as compared to the same period last year, mainly attributable to: the increase in administrative and other expenses, losses in write off of bad debt on trade and other receivables and expected credit loss incurred by the newly acquired Polyqueue Limited; and increase in the Company's spending on purchase of epidemic prevention materials and staff welfare expenses; meanwhile, the Group's financing costs also increased significantly compared to the same period last year, mainly due to the interest expenses incurred for the new working capital bank loan of RMB30 million, and the interest expenses for the new convertible bonds.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately RMB82.4 million for the Reporting Period, representing an increase of approximately RMB33.8 million or approximately 69.6% over the same period last year.

Upon completion of the acquisition on 15 January 2020, Polyqueue Limited became a wholly-owned subsidiary of the Company, and its financial results were consolidated into the Group's consolidated financial statements from the date of acquisition. The company and its subsidiaries were principally engaged in the data centre business in the PRC, and generated revenue of approximately RMB24.7 million from the acquisition date to 31 December 2020.

Excluding the above acquisition, the Group achieved a revenue from sales of furniture products of approximately RMB57.7 million during the Reporting Period, representing an increase of approximately RMB9.1 million or approximately 18.7% as compared with the same period of last year, which was mainly attributable to the facts that:

(i) the Group started to improve its competitiveness and secure its market share in traditional sales provinces such as Sichuan province, Chongqing city and Guizhou province by lowering gross profit of projects since the end of last year. Meanwhile, due to the novel coronavirus epidemic, the Group obtain more orders at lowered product prices and maintain effective operations. The implementation of the above strategy achieved certain results, leading to an increase in revenue of approximately RMB4.3 million or 10.7% in the five Southwest China provinces over the same period last year, including Sichuan Province, Chongqing City and Yunnan Province, with significant growth of 24.0%, 42.1% and 32.1%, respectively; while in Guizhou Province and Tibet Region, due to the novel coronavirus pneumonia epidemic and a larger base from last year, revenue decreased by 35.2% and 82.7% respectively over the same period last year and offset the growth of the five Southwest China provinces.

(ii) Revenue in Guangdong Province increased by approximately RMB4.0 million or 471.8% over the same period last year, mainly attributed to the revenue of approximately RMB4.8 million from a newly contracted financial institution customer in Guangdong province; and

(iii) the revenue of Chongqing Branch Office was approximately RMB7.7 million during the Reporting Period, representing an increase of approximately RMB0.7 million or 9.9% as compared to the same period of last year.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of goods purchased; (iii) labour costs; and (iv) production or operation overheads such as depreciation, amortization of intangible assets, utilities bills, maintenance fee and rent. The Group's cost of sales for the Reporting Period was approximately RMB76.5 million, representing an increase of approximately RMB38.6 million or 101.9% over that of approximately RMB37.9 million for the same period last year. Of which, the Group's newly acquired Polyqueue Limited incurred costs of approximately RMB17.8 million from the acquisition date up to 31 December 2020, and intangible asset from the acquisition of Polyqueue Limited of approximately RMB5.4 million were amortized. Excluding the above factors, the cost of sale of the furniture business for the Reporting Period was approximately RMB53.3 million, representing an increase of approximately 40.7% as compared to the same period last year. Increase in cost of sales was driven by the increase in sales volume, but the increase in cost of sales far exceeded the increase in revenue, resulting in a significant decrease in gross profit margin. Based on the composition analysis of cost of sales, of which: (i) the cost of raw materials used and products purchased increased by approximately RMB16.5 million (including the increase in the Group's losses of inventories disposal and provision for loss of inventories by approximately RMB4.3 million as compared to the same period last year); (ii) wages of production staff decreased by approximately RMB0.3 million; and (iii) other production expenses decreased by approximately RMB0.8 million.

Gross Profit

Gross profit decreased to approximately RMB5.9 million for the Reporting Period from approximately RMB10.7 million for the same period last year. Of which: the Group's newly acquired Polyqueue Limited generated gross profit of approximately RMB6.9 million from the acquisition date to 31 December 2020. Excluding the amortization of intangible asset of approximately RMB5.4 million arising from the acquisition of Polyqueue Limited, actual increase in gross profit was approximately RMB1.5 million. Excluding the above factors, gross profit decreased by approximately 59.4% over the same period last year. The gross profit margin of the furniture business decreased from approximately 22.0% for the same period last year to approximately 7.5% for the Reporting Period. The decrease in gross profit margin was mainly attributable to: (i) the Group's efforts to improve its competitiveness by reducing the gross profit of projects in response to the weakening of the overall demand in the furniture business and the intensification of competition in the market, as well as the impact of the novel coronavirus pneumonia epidemic, which also led to product prices reduction to secure more orders and maintain effective operations; and (ii) the increase in write off of the Group's losses in inventories and provision for loss of inventories by approximately RMB4.3 million as compared to the same period last year.

Other income

The Group's other income for the Reporting Period amounted to approximately RMB3.8 million, representing an increase of approximately 320.6% over that of approximately RMB2.9 million for the same period last year. Such increase was mainly attributable to the increase in interest income from other receivables of approximately RMB2.2 million for the year as compared to the same period last year, the increase in government employment subsidies income of approximately RMB0.2 million, the increase in rental reduction income and the increase in income from early termination of leases.

Selling and Distribution Expenses

Sales and distribution expenses of the Group for the Reporting Period amounted to approximately RMB8.7 million, representing an increase of approximately 0.3% as compared to approximately RMB8.6 million for the same period last year, of which: the Group's newly acquired Polyqueue Limited did not incur any sales expenses from the acquisition date to 31 December 2020. The slight increase in sales and distribution expenses over the same period last year was mainly attributable to the follows: despite the impact of the novel coronavirus pneumonia epidemic, in order to ensure the timely delivery of customer orders, the Company incurred higher installation and handling expenses, cargo charges and travelling expenses during the Reporting Period as compared to last year; however, sales and distribution expenses essentially stayed level for both years as orders were delivered to more dispersed customers in remote areas in the second half of last year, resulting in higher installation and transportation expenses.

Administrative and Other Expenses

The Group's administrative and other expenses for the Reporting Period amounted to approximately RMB24.1 million, representing an increase of approximately 18.2% as compared to approximately RMB20.4 million for the same period last year, of which: the Group's newly acquired Polyqueue Limited incurred administrative and other expenses of approximately RMB3.4 million from the acquisition date to 31 December 2020. Excluding the above factors, administrative and other expenses increased by approximately 1.6% over the same period last year. Such increase was mainly attributable to (i) the increase of approximately RMB1.5 million on the write off of bad debts on trade and other receivables and provision for expected credit losses by the Group as compared to the same period last year; (ii) the increase in the Group's spending on purchase of epidemic prevention materials and staff welfare expenses by approximately RMB2.3 million as compared to the same period last year due to the novel coronavirus pneumonia epidemic; (iii) the Group provided for the impairment loss on fixed assets and right-of-use assets of approximately RMB0.9 million; (iv) the innovation, research and development expenses decreased by approximately RMB2.1 million as compared to the same period last year, the legal professional fees for the acquisition of Polyqueue Limited decreased by approximately RMB1.2 million as compared to the same period last year, and the significant decrease in rent and social pension insurance expenses compared with the same period last year, offset the increase in management fees.

Finance Costs

The Group incurred finance costs of approximately RMB4.6 million for the Reporting Period, compared to finance costs of approximately RMB0.1 million for the same period last year. Of which: the Group's newly acquired Polyqueue Limited incurred finance costs of approximately RMB2.0 million from the acquisition date to 31 December 2020, mainly due to the adoption of the new HKFRS 16 on leases, which recognizes lease commitments as liabilities and amortized as interest expense over the lease term. Excluding the above factors, the increase in finance costs of the Group was mainly attributable to the interest incurred on the working capital loan obtained from CITIC Bank on 10 January 2020 of approximately RMB1.6 million, and the interest incurred on the convertible bonds payable issued by the Group of approximately RMB0.9 million.

Income Tax Credit

The Group's income tax credit for the Reporting Period was approximately RMB0.7 million, compared to the income tax credit of approximately RMB1.1 million for the same period last year. The Group's income tax credit arose from: (i) the Group incurred losses in the corresponding period and was not subject to income tax; and (ii) deferred tax credit arose from the fair value adjustment of assets from the newly acquired Polyqueue Limited during the Reporting Period and subsidiaries acquired in prior 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 RMB27.0 million, compared to loss for the year attributable to owners of the Company of approximately RMB16.5 million for the same period last year. The substantial increase in loss was mainly attributable to: (i) As the Group reduced the gross profit of projects to improve its competitiveness since the end of 2019, meanwhile due to the impact of the novel coronavirus pneumonia epidemic this year, the Group lowered product prices to compete for more orders and maintain effective operation, and the increase in loss on write off of inventories and provision for loss on inventories for the year further lowered the gross profit margin. As a result, although the furniture revenue for the Reporting Period increased by 18.7% as compared to the same period last year, the gross profit realized from furniture still decreased by approximately RMB6.4 million or 59.4% as compared to the same period last year; (ii) administrative and other expenses and finance costs for the year increased by approximately RMB3.7 million and RMB4.4 million respectively as compared to the same period in 2019, which are the key factors of decrease in profit; (iii) the Group's newly acquired Polyqueue Limited generated gross profit of approximately RMB6.9 million from the acquisition date to 31 December 2020. Excluding the amortization of intangible asset of approximately RMB5.4 million arising from the acquisition of Polyqueue Limited, actual increase in gross profit was approximately RMB1.5 million; and (iv) the significant increase in other income of the Group contributed significantly to the Company's loss reduction.

Contract assets, trade, lease and other receivables

Contract assets, trade, lease and other receivables increased from approximately RMB48.3 million as at 31 December 2019 to approximately RMB61.5 million as at 31 December 2020. These increases were mainly attributable to (i) the increase in contract assets, trade, lease and other receivables of approximately RMB5.4 million due to the Group's new acquisition of Polyqueue Limited, (ii) the increase in prepayments and other receivables due to Sichuan Greenland and Chongqing Branch Office of approximately RMB8.0 million; and (iii) the increase in write off on disposal of bad debts and losses on expected credit losses during the year offset by the increase in contract assets and trade receivables.

Contract Liabilities, Trade and Other Payables

Contract liabilities, trade and other payables increased from approximately RMB15.1 million as at 31 December 2019 to approximately RMB24.0 million as at 31 December 2020. The increase was mainly attributable to the increase in contract liabilities, trade and other payables for the Group's new acquisition of Polyqueue Limited, which exceeded the decrease in contract liabilities for Sichuan Greenland due to the decrease in undelivered orders in 2020.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

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 *HK$ million*	**Actual use of proceeds as of 31 December 2020** *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	7.72
	30.76	27.71

As at the date of this announcement, the above net proceeds have not been utilized and have been deposited as interest-bearing deposits in licensed banks in Hong Kong and the PRC.

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 New Shares Under General Mandate. As at 31 December 2020, the net current assets of the Group amounted to approximately RMB72.8 million (31 December 2019: approximately RMB107.2 million), including bank balances and cash of approximately RMB64.6 million (31 December 2019: approximately RMB49.1 million). As at 31 December 2020, the Group has outstanding interest-bearing bank loans of approximately RMB30.0 million (31 December 2019: Nil). As at 31 December 2020, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.1 (31 December 2019: 7.7).

CAPITAL STRUCTURE

As at 31 December 2020, the Group's total equity attributable to owners of the Company amounted to approximately RMB172.2 million (31 December 2019: approximately RMB168.4 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 31 December 2020, 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 31 December 2020 (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)) was approximately 0.42 (31 December 2019: approximately 0.03).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments.

PLEDGE OF ASSETS

As at the date of this announcement, the land use rights and property of the Group's production facilities in Chengdu City were pledged as security for the working capital loans from China Citic Bank on 10 January 2020 in the amount of RMB30.0 million for the term of one year. As the abovementioned loan was settled on 4 January 2021, the pledged security was released simultaneously. Other than that, the Group had no asset pledge agreement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 14 October 2020, Polyqueue Limited entered into a non-legally binding term sheet with the other parties in relation to the proposed establishment of a joint venture, in order to establish, operate and/or invest in a data centre business in the PRC. The term sheet is not legally binding and may not result in execution of a formal agreement. As at the date of this announcement, the above matter is still under negotiation, and the Company will publish an update announcement when any new information is available.

Save for the abovementioned matters, the Group did not have other 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 31 December 2020, the Group engaged a total of 203 employees (2019: 197) including the Directors. During the Reporting Period, total staff costs amounted to approximately RMB14.9 million (2019: approximately RMB10.8 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 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 website of the Stock Exchange and the Company on or before 31 May 2021.

EVENTS AFTER THE REPORTING PERIOD

On 4 January 2021, the Group had settled the working capital loan of RMB30.0 million (loan term: one year) obtained from CITIC Bank.

Except for the events mentioned on the above, the Group has no discloseable 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 completed the acquisition of Polyqueue Limited on 15 January 2020, which has become a wholly-owned direct subsidiary of the Company, and the relevant financial results have been consolidated in the financial statements of the enlarged group for the Reporting Period.

Save for the above, 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. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs and budget.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2020.

SCOPE OF WORK OF BDO 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 year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CORPORATE GOVERNANCE

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 year ended 31 December 2020 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 year ended 31 December 2020 (2019: Nil). No shareholder has agreed to waive dividends.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM of the Company will be held at 4:00 p.m. on Monday, 28 June 2021 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

The register of members of the Company will be closed from Wednesday, 23 June 2021 to Monday, 28 June 2021, 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 properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 22 June 2021.

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 year ended 31 December 2020 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 year ended 31 December 2020.

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

Hong Kong, 24 March 2021

As at the date of this announcement, the Board comprises Mr. Yi Cong and Mr. Liang Xing Jun as executive Directors; Mr. Luo Guoqiang is non-executive Director; and Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung as independent non-executive Directors.

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.