

ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370



2021
Interim Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

FINANCIAL RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated results of the Group for the three months and the six months ended 30 June 2021, together with the comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2021

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	23,168	27,235	37,635	43,251
Cost of sales		(21,531)	(21,019)	(34,727)	(33,614)
Gross profit		1,637	6,216	2,908	9,637
Other income	5	294	709	655	1,436
Selling and distribution expenses		(2,239)	(2,399)	(3,951)	(4,381)
Administrative and other expenses		(4,862)	(4,502)	(8,520)	(10,165)
Impairment loss on trade and other receivables		(314)	(573)	(1,660)	(1,156)
Finance costs	6	(543)	(1,385)	(1,212)	(2,337)
Loss before income tax		(6,027)	(1,934)	(11,780)	(6,966)
Income tax credit/(expense)	7	378	122	786	164
Loss for the period attributable to the owners of the Company		(5,649)	(1,812)	(10,994)	(6,802)
Other comprehensive income/(loss) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		19	1,342	(58)	205
Total comprehensive loss for the period attributable to the owners of the Company		(5,630)	(470)	(11,052)	(6,597)
Loss per share	9				
— Basic and diluted (RMB cents)		(0.62)	(0.20)	(1.21)	(0.76)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		30 June 2021	31 December 2020
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		45,450	46,899
Right-of-use assets		30,189	37,613
Intangible asset		5,448	8,251
Goodwill		30,827	30,827
Total non-current assets		111,914	123,590
Current assets			
Financial assets at fair value through profit or loss		5,021	–
Inventories		16,389	15,667
Contract assets		2,189	2,668
Trade, lease and other receivables	10	65,771	58,820
Cash and cash equivalents		17,734	64,552
Total current assets		107,104	141,707
Total assets		219,018	265,297
Current liabilities			
Contract liabilities		3,557	2,882
Trade and other payables	11	23,027	21,156
Bank borrowings		–	30,000
Lease liabilities		10,390	14,861
Tax payable		32	2
Total current liabilities		37,006	68,901
Net current assets		70,098	72,806
Total assets less current liabilities		182,012	196,396

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
	<i>Notes</i>	
Non-current liabilities		
Lease liabilities	7,237	10,088
Convertible bond	7,379	7,041
Deferred tax liabilities	6,225	7,044
Total non-current liabilities	20,841	24,173
Total liabilities	57,847	93,074
NET ASSETS	161,171	172,223
EQUITY		
Equity attributable to owners of the Company		
Share capital	8,016	8,016
Reserves	153,155	164,207
TOTAL EQUITY	161,171	172,223

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital	Share premium	Convertible bond 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 2020								
(Audited, restated)	7,100	163,826	-	(11,131)	4,158	(8,579)	13,003	168,377
Loss for the period	-	-	-	-	-	-	(6,802)	(6,802)
Other comprehensive income:								
Exchange difference arising on translating of foreign operations	-	-	-	-	-	205	-	205
Total comprehensive expense for the period	-	-	-	-	-	205	(6,802)	(6,597)
Issue of consideration shares (Note 10)	916	23,370	-	-	-	-	-	24,286
Issue of convertible bond (Note 10)	-	-	7,337	-	-	-	-	7,337
Transfer to statutory reserve	-	-	-	-	186	-	(186)	-
As at 30 June 2020								
(Unaudited)	8,016	187,196	7,337	(11,131)	4,344	(8,374)	6,015	193,403
As at 1 January 2021								
(Audited)	8,016	187,196	7,337	(11,131)	4,498	(9,403)	(14,290)	172,223
Loss for the period	-	-	-	-	-	-	(10,994)	(10,994)
Other comprehensive income:								
Exchange difference arising on translating of foreign operations	-	-	-	-	-	(58)	-	(58)
Total comprehensive expense for the period	-	-	-	-	-	(58)	(10,994)	(11,052)
Transfer to statutory reserve	-	-	-	-	23	-	(23)	-
As at 30 June 2021								
(Unaudited)	8,016	187,196	7,337	(11,131)	4,521	(9,461)	(25,307)	161,171

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Loss before income tax	(11,780)	(6,966)
Adjustments for:		
Depreciation of right-of-use assets	7,424	6,224
Depreciation of property, plant and equipment	1,943	1,970
Amortisation of intangible asset	2,803	2,470
Write-down/(reversal) of inventories to net realisable value	707	(9)
Impairment loss on trade receivables and other receivables	1,660	1,156
Bank interest income	(38)	(32)
Fair value changes on financial assets at fair value through profit or loss	(21)	(89)
Dividend income from financial assets at fair value through profit or loss	(299)	(161)
Interest income from other receivables	(69)	(916)
Interest income arising from unwinding contract assets with significant financing component	(114)	(90)
Finance costs	1,212	2,337
Operating profit/(loss) before working capital changes	3,428	5,894
Decrease/(increase) in inventories	(1,429)	(154)
Decrease/(increase) in contract assets	593	(98)
(Increase) in trade and other receivables	(10,821)	(13,546)
Increase/(decrease) in contract liabilities	675	(2,095)
Increase in trade and other payables	1,871	4,586
Cash used in operations	(5,683)	(5,413)
Income tax paid	(2)	–
Bank interest received	38	32
Net cash used in operating activities	(5,647)	(5,381)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss	(5,000)	–
Redemption of financial assets at fair value through profit or loss	–	4,365
Redemption of debt instrument at amortised cost	(4,000)	5,000
Purchase of debt instruments at amortised cost	10,000	(9,000)
(Increase)/decrease in loan receivables	(3,800)	–
Interest received	377	916
Purchases of property, plant and equipment	(494)	(6)
Net cash inflow from acquisition of a subsidiary	–	948
Net cash generated from investing activities	(2,917)	2,223
Cash flows from financing activities		
Proceed from bank borrowings	–	30,000
Repayment of bank borrowings	(30,000)	–
Interest paid on bank borrowings	(66)	(768)
Repayment of principal portion of lease liabilities	(7,322)	(5,875)
Interest paid on lease liabilities	(720)	(1,285)
Net cash generated from financing activities	(38,108)	22,072
Net increase in cash and cash equivalents	(46,672)	18,914
Cash and cash equivalents at beginning of the period	64,552	49,079
Effect of foreign exchange rate changes on cash and cash equivalents	(146)	432
Cash and cash equivalents at end of the period	17,734	68,425
Analysis of balances of cash and cash equivalents		
Cash and bank balances at end of the period	17,734	68,425

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020 and 2021 have been prepared in accordance with the Hong Kong Accounting Standard 34 ("HKAS34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

The application of the new and revised HKFRSs has no material impact on such unaudited condensed consolidated financial statements. The Group did not adopt the new and revised HKFRSs which had been issued but had not yet entered into force during the current accounting period of the Group.

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

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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

For the six months ended 30 June 2021 (“**Reporting Period**”), the Group has two reportable segments, which is manufacture and sale of furniture products and data centre business. The following summarises the operation of each reportable segment of the Group:

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

(a) Reportable segment revenue and results

	Manufacture and sale of furniture products		Data centre		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Sale of office furniture products	18,486	31,331	-	-	18,486	31,331
Information technology management service	-	-	2,026	-	2,026	-
Internet access connection service	-	-	298	410	298	410
Data centre operating and security service	-	-	728	1,620	728	1,620
Rental of server racks	-	-	9,632	9,890	9,632	9,890
Buildout management agreement service	-	-	6,465	-	6,465	-
	18,486	31,331	19,149	11,920	37,635	43,251
Segment results*	(8,672)	(3,133)	(909)	(1,662)	(9,581)	(4,795)
Unallocated expenses*					(1,774)	(1,890)
Interest income					1	3
Interest expense on convertible bonds					(426)	(284)
Loss before income tax					(11,780)	(6,966)

* The amortisation of the “intangible asset arising from the acquisition of the data centre” expense for the same period in 2020 is adjusted from unallocated expenses to reflect the results of the data centre segment.

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(b) Reportable segment assets and liabilities

	Manufacture and sale of furniture products		Data centre		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets*	136,546	195,327	77,329	87,108	213,875	282,435
Cash and cash equivalents					4,277	21,399
Unallocated corporate assets*					866	200
					219,018	304,034
Segment liabilities*	(19,428)	(52,763)	(30,350)	(46,383)	(49,778)	(99,146)
Convertible Bonds					(7,379)	(8,800)
Unallocated corporate liabilities*					(690)	(682)
					(57,847)	(108,628)

* Goodwill, intangible assets and deferred liabilities were adjusted from unallocated assets and liabilities to be reflected in the assets and liabilities of the data centre segment for the same period in 2020.

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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(c) Other segment information

	Office furniture		Data centre		Unallocated		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank interest income	15	24	22	5	1	3	38	32
Interest income from other receivables	-	916	69	-	-	-	69	916
Interest income arising from unwinding contract assets with significant financing component	114	90	-	-	-	-	114	90
Interest expense on bank borrowing	66	768	-	-	-	-	66	768
Interest expense on lease liabilities	18	48	702	1,237	-	-	720	1,285
Interest expense on convertible bonds	-	-	-	-	426	284	426	-
Amortisation of intangible assets	-	-	2,803	2,470	-	-	2,803	2,470
Depreciation of right-of-use assets	401	612	7,023	5,612	-	-	7,424	6,224
Depreciation of property, plant and equipment	1,943	1,970	-	-	-	-	1,943	1,970
Impairment loss on trade and other receivables	1,660	1,156	-	-	-	-	1,660	1,156
Addition to intangible assets through business combination	-	-	-	13,624	-	-	-	13,624
Addition to property, plant and equipment	494	6	-	-	-	-	494	6
Addition to right-of-use assets through business combination	-	-	-	36,343	-	-	-	36,343

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(d) Geographical information

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

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers				
The PRC	15,692	27,235	29,144	43,251
Hong Kong, the PRC	7,476	–	8,491	–
	23,168	27,235	37,635	43,251

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(e) **Information about major customer**

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

	For the three months ended 30 June		For the six months ended 30 June		From reporting segment
	2021	2020	2021	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Customer A	6,465	-	6,465	-	Data centre
Customer B	N/A	N/A	3,815	N/A	Data centre
Customer C	N/A	3,317	N/A	4,847	Manufacture and sale of furniture products
Customer D	N/A	3,730	N/A	4,436	Manufacture and sale of furniture products

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15				
Sale of furniture products	10,474	20,549	18,486	31,331
Information technology management service	1,011	–	2,026	–
Internet access connection service	198	231	298	410
Data centre operating and security service	372	956	728	1,620
Buildout management agreement service	6,465	–	6,465	–
	18,520	21,736	28,003	33,361
Revenue from other sources				
Rental of server racks	4,648	5,499	9,632	9,890
	23,168	27,235	37,635	43,251

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

	For the three months ended 30 June		For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Timing of revenue recognition				
At a point in time	10,474	20,549	18,486	31,331
Over time	8,046	1,187	9,517	2,030
	18,520	21,736	28,003	33,361

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Group's revenue is divided into two parts by reporting segment: sale of furniture products and data centre business, with an analysis as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sale of furniture products	10,474	20,549	18,486	31,331
Data centre business	12,694	6,686	19,149	11,920
	23,168	27,235	37,635	43,251

5. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income arising from unwinding contract assets with significant financing components	9	13	114	90
Bank interest income	20	10	38	32
Interest income from other receivables	69	502	69	916
Dividend income from financial assets at fair value through profit or loss	111	1	299	161
Fair value changes on financial assets at fair value through profit or loss	21	81	21	89
Subsidy income and others	64	102	114	148
	294	709	655	1,436

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	–	386	66	768
Interest expense on lease liabilities	331	715	720	1,285
Interest expense on convertible bond	212	284	426	284
	543	1,385	1,212	2,337

7. INCOME TAX (CREDIT)

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
— Tax for the period	34	–	34	–
Deferred tax				
— Current period	(412)	(122)	(820)	(164)
	(378)	(122)	(786)	(164)

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.

For the six months ended 30 June 2020, no Hong Kong profit tax was provided in the consolidated financial statements. During the Reporting Period, Hong Kong company started to make provision for income tax payable after setting off with losses from previous years.

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil). No shareholder has agreed to waive dividends.

9. LOSS PER SHARE

The loss per share is calculated by dividing loss attributable to the owners of the Company by the weighted average number of 907,333,333 and 898,816,850 ordinary shares in issue for the six months ended 30 June 2021 and 2020.

	For the three months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The loss used to calculate the basic loss per share	(5,649)	(1,812)	(10,994)	(6,802)

	'000 shares	'000 shares	'000 shares	'000 shares
Number of shares used to calculate the basic loss per share	907,333	898,817	907,333	898,817

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 30 June 2021 of approximately RMB10.994 million (same period of the previous year: a loss of approximately RMB6.802 million), and on the weighted average number of 907,333,333 ordinary shares of the Company in issue (898,816,850 ordinary shares of the Company in issue for the same period of the previous year).

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2021 and 2020. Accordingly, the diluted loss per share presented are the same as basic loss per share.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. TRADE, LEASE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables (Note (a))	18,922	13,476
Lease receivables (Note (b))	2,746	2,010
Other receivables (Note (c))	20,378	15,490
Deposits	1,186	836
Prepayments (Note (d))	28,375	31,184
	71,607	62,996
Less: loss allowances	(5,836)	(4,176)
	65,771	58,820

(a) Trade receivables

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total trade receivables	18,922	13,476
Less: loss allowances	(5,321)	(3,679)
Trade receivables, net	13,601	9,797

As at 30 June 2021, included in total trade receivables are trade receivables of RMB14,779,000 and QAD receivables of RMB1,752,000 from office furniture segment. The credit period granted to customers on product sales normally varies according to the terms of the contract, ranging from the invoice date to 30 days or up to 180 days.

Included in total trade receivables are trade receivables of RMB2,391,000 from data centre segment. The credit periods on service contracts with customers are normally within 30 days or up to 180 days from invoice date depends on contract terms.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	6,770	7,545
More than 3 months	12,152	5,931
	18,922	13,476

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:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current (not past due)	7,620	3,523
Less than 1 month past due	704	1,120
1 to 3 months past due	1,061	3,406
More than 3 months but less than 6 months past due	1,021	426
More than 6 months past due	3,195	1,322
	13,601	9,797

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
At beginning of year	3,679	2,661
Loss allowance recognised during the year	1,642	1,018
At end of year (period)	5,321	3,679

As at 30 June 2021 and 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for office furniture segment of RMB14,779,000 (2020: RMB11,615,000) using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

As at 30 June 2021

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Current (not past due)	0.4	5,248	19	5,229
Less than 1 month past due	0.4	707	3	704
1 to 3 months past due	8	1,153	92	1,061
More than 3 months but less than 6 months past due	13.6	1,181	161	1,020
More than 6 months past due	63.2	6,490	4,100	2,390
		14,779	4,375	10,404

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

As at 31 December 2020

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

As at 30 June 2021, the Group applied simplified approach to measure lifetime ECLs on (1) the Group's QAD receivables for office furniture segment of RMB1,752,000 using probability-default model. The ECL rate was 54.0% and the loss allowance as at the end of the Reporting Period was RMB946,000; and (2) the Group's trade receivables for data centre segment of RMB2,391,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the Reporting Period.

(b) Lease receivables

The Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB2,746,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the reporting period.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(c) Other receivables

- (i) As at 31 December 2020, among the other receivables, two debt instruments at amortised cost of RMB5,000,000 and RMB5,000,000 with respective interest receivables of RMB103,000 and RMB46,000 was due from two financial institutions in the PRC. The balances are unsecured, interest-bearing at 7.6% per annum and repayable in six months.
- (ii) As at 31 December 2020, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB16,326,000 using probability-default model and made loss allowance of RMB497,000 during the year.

As at 30 June 2021, provision for loss allowances amounted to RMB18,000 and accumulated loss allowances amounted to RMB515,000 during the Reporting Period.

- (iii) As at 30 June 2021, among the other receivables, a debt instrument at amortised cost of RMB4,000,000 with respective interest receivables of RMB70,575 was due from a financial institution in the PRC. The balances are unsecured, interest-bearing at 7.0% per annum and repayable in three months.
- (iv) As at 30 June 2021, among the other receivables, advanced payments made by the data centre segment to various suppliers for engineering service in relation to "Buildout management agreement service" totaled RMB6,670,000 and a short-term loan of RMB3,800,000 which is unsecured, interest-bearing at 10% per annum and due in three months were included.

(d) Prepayments

As at 30 June 2021, the prepayments of approximately RMB27,934,000 (2020: RMB29,546,000) were prepayments provided for the suppliers in respect of the purchase of raw materials or auxiliary furniture.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

11. TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables (Note (a))	8,888	7,465
Other payables and accruals (Note (b))	10,444	10,039
Other tax payables	3,695	3,652
	23,027	21,156

(a) Trade payables

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	5,200	4,779
More than 3 months	3,688	2,686
	8,888	7,465

(b) Other payables and accruals

As at 30 June 2021 and 31 December 2020, an amount due to the former registered owner of the Group's subsidiary of RMB6,665,000 was included in other payables. 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.

Manufacture and sale of furniture products business

During the first half of 2021, the Group's sales revenue from manufacture and sale of furniture products segment decreased by approximately 41% as compared to the same period last year. As the majority of deliveries during the same period last year were for sales orders placed prior to the previous year's epidemic and there were more substantial sales orders, it was less affected by the novel coronavirus epidemic; during the Reporting Period, as the majority of potential customers were cautious in purchasing or postponing the replacement of furniture products, resulting in fewer new sales orders being signed, thus affecting product deliveries and revenue during the Reporting Period. At the same time, the Group continued to compete for more furniture orders at lower product prices to maintain effective operations, with provision for inventory losses increased as compared to the same period last year, resulting in gross profit margin under greater pressure.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre business

Since the current revenue of data centre segment is mainly the rental income from server rack rentals and the signed rental contracts involve continuity before expiration, the business of data centre segment is more stable. It is now actively source new customers, with each business being progressed steadily. In addition, the Group's subsidiary (Beijing Wannuotong Technology Company Limited, hereinafter referred to as "WNT") entered into a buildout management agreement with other party on 1 June 2021 to commerce engineering and management service as construction manager for buildout construction works. During the Reporting Period, apart from the amortisation expense of intangible assets of approximately RMB2.8 million, data centre segment has contributed approximately RMB19.1 million to the Group's revenue (approximately RMB11.9 million for the same period last year) and approximately RMB1.9 million to the Group's profit before income tax (approximately RMB0.8 million for the same period last year). As the project progressed, the Group is optimistic about outlook of the revenue and profit contribution associated with the buildout management project.

During the Reporting Period, the Group recorded a revenue of approximately RMB37.6 million, representing a decrease of approximately RMB5.6 million or approximately 13.0% as compared to the same period of the previous year. During the Reporting Period, the Group recorded a loss of approximately RMB11.0 million, as compared with the loss of approximately RMB6.8 million for the same period of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in loss was mainly because: during the Reporting Period, manufacture and sale of furniture products segment recorded a revenue of approximately RMB18.5 million, representing a decrease of approximately RMB12.9 million or approximately 41.0% as compared to the same period last year, and the provision for loss of inventories increased by approximately RMB0.7 million as compared to the same period last year, combining to result in the decrease of gross profit by approximately RMB3.3 million as compared to the same period last year. Excluding the data centre segment, the Group's business position was as follows: 1. other income decreased by approximately RMB0.9 million as compared to the same period last year; and 2. administrative and other expenses increased by approximately RMB2.2 million as compared to the same period last year, mainly attributable to (i) the company invested a low basis of product research and development expenditure due to the impact of the novel coronavirus epidemic in the same period last year, while product development expenditure amounted to approximately RMB1.5 million during the Reporting Period; (ii) an increase in the Group's provision for expected credit losses of approximately RMB0.5 million as compared to the same period last year; 3. selling and distribution expenses and finance costs decreased by approximately RMB0.2 million and RMB0.6 million respectively as compared to the same period last year. Contribution from the data center segment to the Group's profit before income tax increased by approximately RMB0.7 million as compared to the same period last year, offsetting the increase in the Group's loss.

Prospects

Looking forward, given the ever-evolving COVID-19 pandemic, majority of customers adopted a wait-and-see attitude or postponed the purchase progress, the furniture market as a whole is still weak. Nevertheless, the Group is still confident to leverage its strengths to further consolidate the Southwest China market, and expand beyond the Southwest China market when the conditions are appropriate. Meanwhile, the Group has also increased its investment in product technology research and development year by year to diversify its product design and keep pace with the market trend, in order to attract new customers and retain long-term customers, so as to enhance the Group's competitiveness in tender and biddings and expand its market share. In addition, the Group will further implement more stringent cost control measures to reduce unnecessary energy consumption, and strive to achieve the profit target set by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group introduced data centre business last year to expand its income source. In the long run, the Group can withstand market fluctuations at different stages of the business and economic cycle.

On 1 June 2021, WNT entered into a buildout management agreement with other party, with the budgeted contractual sum of the buildout work of RMB405,600,000. Under the Buildout Management Agreement, WNT shall, through tendering and bidding process, engage or procure engagement of suitable third party qualified firms and persons to manage and implement the buildout of other party's data centre and shall be responsible for design, supervision and implementation of the buildout project. The entering into the Buildout Management Agreement allows the Group further develops its data centre business networks in the PRC with new income sources over the forthcoming years. The related experience and expertise shall form part of the Group's track record and will open up more business opportunities for the Group.

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

Details of the aforesaid Buildout Management Agreement and SPV Loan Agreement were set out in the announcement dated 2 June 2021 and the circular dated 16 July 2021 of the Company, with the latter passed at the extraordinary general meeting held on 2 August 2021. For details, please refer to "Events after the Reporting Period".

The Directors consider that the entering into the aforesaid SPV Loan Agreement offers the Group a good business opportunity to have stable interest income. The Loan and the Buildout Management Agreement will enhance the earning ability to the Group in the future, and contribute positively to the earnings and assets of the Group for the forthcoming years.

We believe that our entry into the data centre business will enable the Group to maximize its corporate value for the benefit of our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB37.6 million, representing a decrease of approximately RMB5.6 million or approximately 13.0% as compared to the same period of the previous year.

Manufacture and sale of furniture products segment: during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB18.5 million, representing a decrease of approximately RMB12.9 million or approximately 41.0% as compared to the same period last year, which was mainly attributable to the facts that:

- (i) Revenue from the five southwestern provinces such as Sichuan and Chongqing decreased by approximately RMB6.1 million or 28.8% as compared to the same period last year. During the Reporting Period, all four other provinces and regions in Southwest China experienced a significant year-on-year decline except for Tibet, which grew by 330.6% from a relatively small basis (of only RMB76,000) in the same period last year. The top 10 customers in the aforesaid regions achieved revenue of approximately RMB16.2 million in the same period last year, while the top 10 customers only achieved revenue of approximately RMB10.5 million during the Reporting Period, representing a year-on-year decrease of 35.2%, in particular, a customer of a financial institution who achieved revenue of approximately RMB4.4 million in the same period last year only achieved revenue of approximately RMB1.7 million during the Reporting Period.
- (ii) Revenue from Guangdong Province decreased by approximately RMB4.7 million or 97.6% as compared to the same period last year, mainly attributable to the revenue of approximately RMB4.8 million from a new financial institution customer in the same period last year. As most orders from such customer had been delivered with revenue recorded prior to the Reporting Period, the revenue contributed by such customer during the Reporting Period was only approximately RMB0.12 million; and
- (iii) Revenue from Chongqing Branch Office was approximately RMB2.7 million during the Reporting Period, representing a decrease of approximately RMB2.4 million or 48.3% as compared to the same period last year. The branch share office has experienced a significant decline in revenue since the second quarter and the company is seriously reviewing its operations in the region with a view to turning around the unfavourable situation as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: Data centre segment recorded a revenue of approximately RMB19.1 million during the Reporting Period, representing an increase of approximately RMB7.2 million or approximately 60.6% as compared to the same period last year, in which the steady growth of the existing business and the recognition of revenue related to buildout projects of approximately RMB6.5 million were the main reason for the growth in revenue of data centre segment.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; and (iv) production or operation overheads such as depreciation, amortization of intangible assets, utilities bills, maintenance fee, rent and buildout management expenses. The Group's cost of sales for the Reporting Period was approximately RMB34.7 million, representing an increase of approximately RMB1.1 million or 3.3% over that of approximately RMB33.6 million for the same period last year. Of which:

Manufacture and sale of furniture products segment: cost of sales for the Reporting Period was approximately RMB16.6 million, representing a decrease of approximately RMB9.5 million or 36.6% as compared to the same period last year. Decrease in cost of sales was driven by the decrease in sales, but the decrease in cost of sales was smaller than the decrease in revenue, resulting in a larger decrease in gross profit margin. Based on the composition analysis of cost of sales, of which: (i) the cost of raw materials used and products purchased decreased by approximately RMB8.3 million (and the decrease in cost of sales was offset by increase in the Group's provision for loss of inventories by approximately RMB0.7 million as compared to the same period last year); (ii) wages of production staff decreased by approximately RMB0.6 million; and (iii) other production expenses decreased by approximately RMB0.6 million.

Data centre segment: cost of sales for the Reporting Period was approximately RMB18.2 million, representing an increase of approximately RMB10.7 million or 141.6%, in which the cost of sales of the existing business increase by approximately RMB4.2 million or 55.7% as compared to the same period last year and the recognition of cost related to buildout projects of approximately RMB6.5 million were the main reason for the increase in cost of the data centre segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit decreased to approximately RMB2.9 million for the Reporting Period from approximately RMB9.6 million for the same period last year. Of which:

Manufacture and sale of furniture products segment: gross profit for the Reporting Period decreased by approximately RMB3.3 million or 63.1% as compared to the same period last year. The gross profit margin of furniture products decreased from approximately 16.7% for the same period last year to approximately 10.5% for the Reporting Period. The decrease in gross profit margin was mainly attributable to: (i) the Group's provision for loss of inventories increased by approximately RMB0.71 million as compared to the same period last year. Due to the smaller sales revenue base, the above factors resulted in a 3.8% decrease in gross profit margin; (ii) decrease in cost of sales as a result of decrease in sales while the decrease in cost of sales was less than the decrease in revenue, resulting in a greater decrease in gross margin. As a result of the weakening of overall demand, intensified market competition and the impact of the novel coronavirus epidemic, customers have become more cautious in purchasing or replacing furnitures. The Group continues to compete for more orders at lower product prices in order to maintain effective operations.

Data centre segment: gross profit for the Reporting Period decreased by approximately RMB3.4 million or 77.9% as compared to the same period last year. The decrease in gross profit margin from approximately 36.9% for the same period last year to approximately 5.1% for the Reporting Period was mainly attributable to (i) the revenue recognized as a result of the buildout management agreement of RMB6.5 million during the Reporting Period was largely offset by the expenses; (ii) the amortisation of the "intangible assets arising from the acquisition of the data centre" of approximately RMB2.8 million was reclassified from administrative expense to cost of sales in accordance with the auditors' opinion. Due to the smaller sales revenue base of the data centre, the factor resulted in a 22.1% decrease in gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The Group's other income for the Reporting Period was approximately RMB665,000, representing a decrease of approximately 54.4% as compared to that of approximately RMB1,436,000 for the same period last year, which was mainly attributable to (i) the interest income from other receivables of approximately RMB916,000 recorded in the same period last year, while approximately RMB69,000 was recorded for the Reporting Period; (ii) the change in fair value of financial assets at fair value through profit or loss decreased by RMB68,000 as compared with the same period last year; (iii) the decrease in other income was offset by an increase in dividend income from financial assets at fair value through profit or loss of approximately RMB138,000 as compared to the same period last year.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB4.0 million, representing a decrease of approximately 9.8% from approximately RMB4.4 million for the same period last year. Among which the data centre segment did not incur any selling expenses during the Reporting Period, compared to the selling expenses of approximately RMB0.2 million for the same period last year. Excluding the above factor, the selling and distribution expenses of the manufacture and sale of furniture products segment decreased by approximately 5.6% as compared to the same period last year, which was mainly due to the installation and handling fees, loading and unloading expenses and travel expenses incurred for the same period last year were higher since the Company tried to deliver customer orders as schedule under the impact of novel coronavirus epidemic, while the above expenses for the Reporting Period decreased accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other expenses

During the Reporting Period, the Group's administrative and other expenses amounted to approximately RMB10.2 million, representing a decrease of approximately RMB1.1 million or 10.1% from approximately RMB11.3 million for the same period last year. Among which, administrative and other expenses of the data centre segment amounted to approximately RMB1.4 million, representing a decrease of approximately RMB3.3 million or 70.5% as compared to the same period last year, which was mainly attributable to the amortisation of intangible assets arising from the acquisition of the data centre business of approximately RMB2.5 million in the same period last year, which was included in administrative and other expenses, whereas in this announcement it was included in cost of sales based on the auditor's opinion. Excluding the administrative expenses arising from the data center segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB8.8 million, representing an increase of approximately RMB2.2 million or 33.5% as compared to the same period last year, which was mainly attributable to: (i) the company invested a low basis of product research and development expenditure due to the impact of the novel coronavirus epidemic in the same period last year, while product development expenditure amounted to approximately RMB1.5 million during the Reporting Period; (ii) an increase in the Group's provision for expected credit losses of approximately RMB0.5 million as compared to the same period last year.

Finance costs

During the Reporting Period, the Group's finance costs amounted to approximately RMB1.2 million, while the finance cost was approximately RMB2.3 million for the same period last year, representing a year-on-year decrease of approximately RMB1.1 million or 48.1%. The decrease in the Group's finance costs was mainly attributable to (i) the repayment of the liquidity loan obtained from China CITIC Bank on 4 January 2021, the interest expense incurred thereon decreased by approximately RMB0.7 million as compared to the same period last year; (ii) the adoption of the new HKFRS 16 on leases by the Group, in which lease commitments were recognized as liabilities and amortised as interest expense during the lease term, and interest expense from lease liabilities incurred during the Reporting Period decreased by approximately RMB0.5 million as compared to the same period last year; (iii) the interest expenses arising from the issuance of convertible bonds payable by the Group increased by approximately RMB0.1 million as compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

During the Reporting Period, the Group's income tax credit was approximately RMB0.8 million, while the income tax credit was approximately RMB0.2 million for the same period last year. The income tax credit of the Group was due to: (i) during the Reporting Period, the Hong Kong company of data centre segment began to accrue income tax payable of approximately RMB34,000 after compensation for the loss of the previous years. Except for this, the Group incurred loss during the respective period, while some of the subsidiaries recorded a profit which was not subject to income tax due to the compensation for the loss of the previous years; (ii) deferred tax credit in respect of the acquisition of data centre segment and the fair value adjustment of assets caused by the acquisition of subsidiaries in previous years.

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 new shares under the general mandate. As at 30 June 2021, the Group had net current assets of approximately RMB70.1 million (31 December 2020: approximately RMB72.8 million) including bank balances and cash of approximately RMB17.7 million (31 December 2020: approximately RMB64.6 million). As at 30 June 2021, the Group did not have outstanding interest-bearing bank loan (31 December 2020: RMB30.0 million). As at 30 June 2021, the Group's current ratio (defined as the ratio of current assets to current liabilities) was approximately 2.9 (31 December 2020: approximately 2.1).

CAPITAL STRUCTURE

As at 30 June 2021, the Group's total equity attributable to the owners of the Company amounted to approximately RMB161.2 million (31 December 2020: approximately RMB172.2 million). The Group's equity attributable to the owners of the Company includes share capital and capital reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 June 2021, the Group's 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 0.22 (31 December 2020: approximately 0.42).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group was not aware of any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS HELD

For the six months ended 30 June 2021, the Company held financial assets at fair value through profit or loss of approximately RMB5.021 million. On 21 May 2021, the Company purchased an unlisted investment fund (Ginkgo Prestige Fund* (銀杏尊享基金)) which was held for trading purposes with initial cost of investment of approximately RMB5 million and stated at fair value at the date of this report (same period last year: no such significant investment held).

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 30 June 2021. However, the Group will review and monitor from time to time the risk relating to foreign exchange.

EVENTS AFTER THE REPORTING PERIOD

On 2 August 2021, the Company held an extraordinary general meeting to approve, confirm and/ratify (i) SPV Loan Agreement, (ii) the appointment of Mr. Lai Ningning ("**Mr. Lai**") as executive Director of the Company, (iii) the grant of Options to Mr. Lai, and (iv) the conditional Placing Agreement entered into with Forwin Securities Group Limited as placing agent. Details of the above are set out in the announcement dated 2 June 2021, the circular dated 16 July 2021 and the announcement dated 2 August 2021 of the Company; in addition, the conditional Placing Agreement as stated in (iv) was also completed on 6 August 2021, details of which were set out in the announcement of the Company on the same date.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON EMPLOYEES

As at 30 June 2021, the Group engaged a total of 200 employees (same period of 2020: 208) including the Directors. For the six months ended 30 June 2021, total staff costs amounted to approximately RMB6.68 million (same period of 2020: approximately RMB6.74 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

PLEDGE OF ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS

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

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance), or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the Securities and Futures Ordinance, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Percentage of shareholdings
Mr. Ma Gary Ming Fai ("Mr. Ma")	Interest in a controlled corporation (Note 1)	245,300,400 (Long position)	27.04%
Mr. Yi Cong ("Mr. Yi")	Interest of spouse (Note 2)	116,580,000 (Long position)	12.85%

Notes:

- Such shares are held by Sun Universal Limited, and its 100% equity interest is owned by Mr. Ma. Mr. Ma is deemed to be interested in the shares held by Sun Universal Limited for the purpose of Part XV of the Securities and Futures Ordinance.
- Mr. Yi is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi is deemed to be interested in all the shares which Ms. Zhang Gui Hong is interested for the purpose of Part XV of the Securities and Futures Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and/or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the Securities and Futures Ordinance, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors.

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

As at 30 June 2021, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance and the GEM Listing Rules.

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Percentage of shareholdings
Sun Universal Limited ("Sun Universal")	Beneficial owner	245,300,400 (Long position)	27.04%
Ms. Hung Fung King Margaret	Interest of spouse (Note 1)	245,300,400 (Long position)	27.04%
Brilliant Talent Global Limited	Beneficial owner (Note 2)	116,580,000 (Long position)	12.85%
Ms. Zhang Gui Hong	Interest in a controlled corporation (Note 2)	116,580,000 (Long position)	12.85%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Ms. Hung Fung King Margaret is the spouse of Mr. Ma. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the Securities and Futures Ordinance.
2. The entire issued share capital of Brilliant Talent Global Limited is legally and beneficially owned by Ms. Zhang Gui Hong. Ms. Zhang Gui Hong is deemed to be interested in the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any person who had interests or short positions in the shares, underlying shares or debentures of the Company required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

OTHER INFORMATION

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2021, the Group did not have any future plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the six months ended 30 June 2021, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

SHARE OPTION SCHEME

The share option scheme (the “**Share Option Scheme**”) was approved and conditionally adopted by the Board and shareholders of the Company by way of written resolutions on 19 December 2016. As of 30 June 2021, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

COMPETING INTERESTS

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

Save as disclosed above, for the six months ended 30 June 2021, none of the Directors or substantial Shareholder or any of their respective associates (as defined under the GEM Listing Rules) has any interest in a business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules since the Listing Date and up to the date of this announcement.

OTHER INFORMATION

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the six months ended 30 June 2021. The Audit Committee is of the view that the unaudited consolidated results are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that the sufficient disclosure was made.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the six months ended 30 June 2021 and up to the date of this report.

NO CHANGE IN INFORMATION OF DIRECTORS

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

Saved for the aforesaid change, for the six months ended 30 June 2021, there was no change in the information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 30 June 2021, 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 30 June 2021, the Company has complied with the applicable code provisions of the CG Code.

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

Hong Kong, 11 August 2021

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