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
Third Quarterly Report

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

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

Given that companies listed on GEM are usually 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 nine months ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 2021

	Notes	For the three months ended 30 September **2021** **RMB'000** **(Unaudited)**	 2020 RMB'000 (Unaudited)	For the nine months ended 30 September **2021** **RMB'000** **(Unaudited)**	 2020 RMB'000 (Unaudited)
Revenue	4	**48,473**	15,180	**86,108**	58,431
Cost of sales		**(46,543)**	(12,401)	**(81,270)**	(46,015)
Gross profit		**1,930**	2,779	**4,838**	12,416
Other income	5	**740**	896	**1,395**	2,332
Selling and distribution expenses		**(1,707)**	(2,203)	**(5,658)**	(6,584)
Administrative and other expenses		**(14,296)**	(8,317)	**(22,817)**	(18,482)
Impairment loss on trade and other receivables		**(1,544)**	(159)	**(3,203)**	(1,315)
Finance costs	6	**(1,623)**	(1,544)	**(2,835)**	(3,881)
Loss before income tax		**(16,500)**	(8,548)	**(28,280)**	(15,514)
Income tax credit/(expense)	7	**141**	(34)	**927**	130
Loss for the period attributable to the owners of the Company		**(16,359)**	(8,582)	**(27,353)**	(15,384)
Other comprehensive income/(loss) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**21**	(483)	**(37)**	(278)
Total comprehensive loss for the period attributable to the owners of the Company		**(16,338)**	(9,065)	**(27,390)**	(15,662)
Loss per share	9				
— Basic and diluted (RMB cents)		**(1.80)**	(0.95)	**(3.01)**	(1.71)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

	Share capital RMB'000	Share premium RMB'000	Convertible bond equity reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total 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	–	–	–	–	–	–	–	(15,384)	(15,384)
Other comprehensive income:									
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	(278)	–	(278)
Total comprehensive expense for the period	–	–	–	–	–	–	(278)	(15,384)	(15,662)
Issue of consideration shares	916	23,370	–	–	–	–	–	–	24,286
Issue of convertible bond	–	–	7,337	–	–	–	–	–	7,337
Transfer to statutory reserve	–	–	–	–	–	258	–	(258)	–
As at 30 September 2020 (Unaudited)	8,016	187,196	7,337	–	(11,131)	4,416	(8,857)	(2,639)	184,338
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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,353)**	**(27,353)**
Other comprehensive income:									
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(37)**	**–**	**(37)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(37)**	**(27,353)**	**(27,390)**
Recognition of equity-settled share-based payment expense *(Note 10)*	**–**	**–**	**–**	**9,530**	**–**	**–**	**–**	**–**	**9,530**
Issue of convertible bond *(Note 11)*	**–**	**–**	**1,062**	**–**	**–**	**–**	**–**	**–**	**1,062**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**40**	**–**	**(40)**	**–**
As at 30 September 2021 (Unaudited)	**8,016**	**187,196**	**8,399**	**9,530**	**(11,131)**	**4,538**	**(9,440)**	**(41,683)**	**155,425**

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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.

For the nine months ended 30 September 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:

(a) Reportable segment revenue and results

	Manufacture and sale of furniture products For the nine months ended 30 September		Data centre For the nine months ended 30 September		Total For the nine months ended 30 September	
	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	**30,401**	39,953	**–**	–	**30,401**	39,953
Information technology management service	**–**	–	**2,287**	–	**2,287**	–
Internet access connection service	**–**	–	**435**	502	**435**	502
Data centre operating and security service	**–**	–	**978**	1,870	**978**	1,870
Rental of server racks	**–**	–	**14,752**	16,106	**14,752**	16,106
Buildout management agreement service	**–**	–	**37,255**	–	**37,255**	–
	30,401	39,953	**55,707**	18,478	**86,108**	58,431
Segment results	**(14,237)**	(10,334)	**503**	(2,401)	**(13,734)**	(12,735)
Unallocated expenses*					**(13,194)**	(2,345)
Interest income					**422**	4
Interest expense on convertible bonds					**(1,774)**	(438)
Loss before income tax					**(28,280)**	(15,514)

* 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. Income has been reclassified according to the audit opinions set out in the annual report. Unallocated expenses during the Reporting Period mainly included share option expenses and expenses of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

(b) Other segment information

	Manufacture and sale of furniture products For the nine months ended 30 September		Data centre For the nine months ended 30 September		Unallocated For the nine months ended 30 September		Total For the nine months ended 30 September	
	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	**28**	31	**36**	10	**1**	4	**65**	45
Interest income from other receivables	**–**	1,441	**95**	–	**421**	–	**516**	1,441
Interest income arising from unwinding contract assets with significant financing component	**135**	151	**–**	–	**–**	–	**135**	151
Interest expense on bank borrowing	**66**	1,202	**–**	–	**–**	–	**66**	1,202
Interest expense on lease liabilities	**23**	68	**971**	2,173	**–**	–	**994**	2,241
Interest expense on convertible bonds	**–**	–	**–**	–	**1,774**	438	**1,774**	438
Amortisation of intangible assets	**–**	–	**4,205**	3,817	**–**	–	**4,205**	3,817
Depreciation of right-of-use assets	**592**	917	**10,529**	8,668	**–**	–	**11,121**	9,585
Depreciation of property, plant and equipment	**3,171**	2,796	**–**	–	**–**	–	**3,171**	2,796
Impairment loss on trade and other receivables	**3,203**	1,315	**–**	–	**–**	–	**3,203**	1,315
Addition to intangible assets through business combination	**–**	–	**–**	13,624	**–**	–	**–**	13,624
Addition to property, plant and equipment	**1,093**	34	**–**	–	**–**	–	**1,093**	34
Addition to right-of-use assets through business combination	**–**	–	**–**	36,343	**–**	–	**–**	36,343
Equity-settled share-based payment expense *(Note 10)*	**–**	–	**–**	–	**9,530**	–	**9,530**	–

(c) 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 September		For the nine months ended 30 September	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from external customers				
The PRC	**28,123**	15,180	**57,267**	58,431
Hong Kong, the PRC	**20,350**	–	**28,841**	–
	48,473	15,180	**86,108**	58,431

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.

(d) Information about major customer

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

	For the three months ended 30 September		For the nine months ended 30 September		From reporting segment
	2021	2020	**2021**	2020	
	RMB'000	RMB'000	**RMB'000**	RMB'000	
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	
Customer A	**30,790**	–	**37,255**	–	Data centre
Customer B	**N/A**	1,878	**N/A**	6,199	Data centre
Customer C	**N/A**	1,730	**N/A**	N/A	Data centre
Customer D	**–**	2,335	**–**	N/A	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 NINE MONTHS ENDED 30 SEPTEMBER 2021

4. REVENUE

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15				
Sale of furniture products	**11,915**	8,622	**30,401**	39,953
Information technology management service	**261**	–	**2,287**	–
Internet access connection service	**137**	92	**435**	502
Data centre operating and security service	**250**	250	**978**	1,870
Buildout management agreement service	**30,790**	–	**37,255**	–
	43,353	8,964	**71,356**	42,325
Revenue from other sources				
Rental of server racks	**5,120**	6,216	**14,752**	16,106
	48,473	15,180	**86,108**	58,431

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 September		For the nine months ended 30 September	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Timing of revenue recognition				
At a point in time	**11,915**	8,622	**30,401**	39,953
Over time	**31,438**	342	**40,955**	2,372
	43,353	8,964	**71,356**	42,325

During the Reporting Period, 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 September		For the nine months ended 30 September	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sale of furniture products	**11,915**	8,622	**30,401**	39,953
Data centre business	**36,558**	6,558	**55,707**	18,478
	48,473	15,180	**86,108**	58,431

5. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	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	**21**	61	**135**	151
Bank interest income	**27**	13	**65**	45
Interest income from other receivables	**447**	525	**516**	1,441
Dividend income from financial assets at fair value through profit or loss	**111**	172	**410**	333
Fair value changes on financial assets at fair value through profit or loss	**31**	39	**52**	128
Subsidy income and others	**103**	86	**217**	234
	740	896	**1,395**	2,332

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest expense on bank borrowings	**–**	434	**66**	1,202
Interest expense on lease liabilities	**275**	956	**995**	2,241
Interest expense on convertible bond	**1,348**	154	**1,774**	438
	1,623	1,544	**2,835**	3,881

7. INCOME TAX (CREDIT)

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
— Tax for the period	**269**	–	**303**	–
Deferred tax				
— Current period	**(410)**	34	**(1,230)**	(130)
	(141)	34	**(927)**	(130)

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 nine months ended 30 September 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.

8. DIVIDENDS

The Board does not recommend the payment of third quarterly results dividend for the nine months ended 30 September 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 901,676,399 ordinary shares in issue for the nine months ended 30 September 2021 and 2020.

	For the three months ended 30 September		For the nine months ended 30 September	
	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	**(16,359)**	(8,582)	**(27,353)**	(15,384)
	'000 shares	'000 shares	**'000 shares**	'000 shares
Number of shares used to calculate the basic loss per share	**907,333**	901,676	**907,333**	901,676

Note: The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the Reporting Period of approximately RMB27.353 million (same period of the previous year: a loss of approximately RMB15.384 million), and on the weighted average number of 907,333,333 ordinary shares of the Company in issue (901,676,399 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 nine months ended 30 September 2021 and 2020. Accordingly, the diluted loss per share presented are the same as basic loss per share.

10. SHARE OPTION SCHEME

The original 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.

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

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

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

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

Name of category of participant	Date of grant	Exercise price	Outstanding at 1 January 2021	Granted during the Reporting Period of the year	Exercised during the Reporting Period of the year	Lapsed during the Reporting Period of the year	Outstanding at 30 September 2021
Mr. Lai (director)	2 August 2021	HK$0.35	–	100,000,000	–	–	100,000,000

(a) Fair value of Share Option Deed and assumptions

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

Date of grant	Fair value at the date of grant HK$ per share option	The closing price of the Company's shares quoted on the Stock Exchange at the date of grant HK$ per share	Exercise Price HK$ per share	Risk-free interest rate	Expected Volatility	Expected life	Expected dividend yield
2 August 2021	0.2436	0.395	0.35	0.36%	86.72%	4 year	N/A

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

For the nine months ended 30 September 2021, the fair value of Share Option Deed granted by the Group is amounted to approximately RMB20.3 million (nil for the same period in 2020). During the Reporting Period, an equity-settled share-based payment expense of approximately RMB9.5 million (nil for the same period in 2020) was recognised by the Group.

For the nine months ended 30 September 2021, no options were exercised and all options are exercisable.

11. ISSUE OF CONVERTIBLE BOND

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

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

	RMB'000
Face value of the convertible bonds on the Issue Date	51,870
Less: transaction costs	(1,815)
Less: amount classified as equity	(1,062)
Liability component on initial recognition	48,992
Interest expense	1,051
Liability component at 30 September 2021	50,043

Interest expense on the liability component of the convertible bonds were calculated using the effective interest method by applying the effective interest rate of 14.86% per annum of the liability component.

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 to overcome the economic difficulties.

Manufacture and sale of furniture products business

During the first three quarters of 2021, the Group's sales revenue from manufacture and sale of furniture products segment decreased by approximately 23.9% as compared to the same period last year. The impact of the novel coronavirus epidemic on the furniture industry has exceeded our previous expectations. With the slowdown of commercial real estate investment, the furniture industry is facing a further reshuffle. 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 for the Reporting Period significantly increased as compared to the same period last year, resulting in gross profit margin under greater pressure.

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 sourcing new customers, with each business being progressed steadily. In addition, the Group's subsidiary (Beijing Wannuotong Technology Company Limited, hereinafter referred to as "**WNT**") entered into a buildout management agreement with other party on 1 June 2021 to commerce engineering and management service as construction manager for buildout construction works, and started to confirm the relevant revenue and profit contribution pursuant to the progress of the buildout management project.

During the Reporting Period, the Group recorded a consolidated revenue of approximately RMB86.1 million, representing an increase of approximately RMB27.7 million or approximately 47.4% as compared to the same period of the previous year, primarily attributable to the increase in revenue of the data centre segment. During the Reporting Period, the Group recorded a consolidated loss of approximately RMB27.4 million (loss of approximately RMB15.4 million for the same period last year). The significant increase in consolidated loss was mainly due to: manufacture and sale of furniture products segment recorded a revenue of approximately RMB30.4 million, representing a decrease of approximately RMB9.6 million or approximately 23.9% as compared to the same period last year, and for prudence sake, the provision for loss of inventories increased by approximately RMB1.7 million as compared to the same period last year, all the above factors resulted in the decrease of gross profit by approximately RMB4.2 million as compared to the same period last year. Excluding the data centre segment, the Group's business position was as follows: (1) other income decreased by approximately RMB1.1 million as compared to the same period last year; and (2) administrative and other expenses increased by approximately RMB10.9 million as compared to the same period last year, mainly attributable to (i) as the Company granted Share Option Deed, the recognition of equity-settled share-based payment expense amounted to RMB9.5 million; (ii) an increase in the Group's provision for expected credit losses of approximately RMB1.9 million as compared to the same period last year; (3) finance costs increased by approximately RMB0.1 million as compared to the same period last year; and (4) selling and distribution expenses decreased by approximately RMB0.6 million 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 RMB2.9 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 schedule, the furniture market as a whole is still weak. The Company's current primary goal is to try its best to maintain effective operations by, including but not limited to, continuing to compete for more furniture orders at lower product prices. Nevertheless, the Group will continue to maintain its investment in product technology research and development year by year and continue to improve its product design, in order to attract new customers and retain long-term customers.

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

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

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

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

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

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB86.1 million, representing an increase of approximately RMB27.7 million or approximately 47.4% 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 RMB30.4 million, representing a decrease of approximately RMB9.6 million or approximately 23.9% 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 RMB3.0 million or 10.5% as compared to the same period last year. During the Reporting Period, all three other provinces and regions in Southwest China experienced a significant year-on-year decline, while Chongqing increased by RMB0.4 million or 8.8% as compared to the same period last year and Tibet 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 RMB20.2 million in the same period last year, and only achieved revenue of approximately RMB15.4 million during the Reporting Period, representing a year-on-year decrease of 23.6%;

(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. Most orders from such customer had been delivered with revenue recorded prior to the Reporting Period. During the Reporting Period, revenue from Beijing and Zhejiang Province increased by approximately RMB0.7 million and approximately RMB0.4 million respectively, which made up for the decline in revenue from the manufacture and sale of furniture products segment to a certain extent; and

(iii) Revenue from Chongqing Branch Office was approximately RMB3.3 million during the Reporting Period, representing a decrease of approximately RMB2.7 million or 44.6% as compared to the same period last year. The decrease was mainly due to the weak demand in sales and intense competition. The branch office has experienced a faster decline in revenue since the second quarter and it is striving to turning around the unfavourable situation as soon as possible.

Data centre segment: Data centre segment recorded a revenue of approximately RMB55.7 million during the Reporting Period, representing an increase of approximately RMB37.2 million or approximately 201.5% as compared to the same period last year, in which the steady development of the existing business and the recognition of revenue related to buildout projects of approximately RMB37.3 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 RMB81.3 million, representing an increase of approximately RMB35.3 million or 76.6% over that of approximately RMB46.0 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 RMB28.9 million, representing a decrease of approximately RMB5.4 million or 15.8% 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 RMB4.6 million (and the decrease in cost of sales was offset by increase in the Group's provision for loss of inventories by approximately RMB1.7 million as compared to the same period last year); (ii) wages of production staff decreased by approximately RMB0.5 million; and (iii) other production expenses decreased by approximately RMB0.3 million.

Data centre segment: Cost of sales for the Reporting Period was approximately RMB52.4 million, representing an increase of approximately RMB40.7 million or 346.8%, in which the cost of sales of the existing business increased by approximately RMB5.9 million or 33.3% as compared to the same period last year, primarily due to the amortisation of the "intangible assets arising from the acquisition of the data centre" of approximately RMB4.2 million was reclassified from administrative expense to cost of sales in accordance with the auditors' opinion and the recognition of cost related to buildout projects of approximately RMB34.8 million were the main reason for the increase in cost of the data centre segment.

Gross profit

Gross profit decreased to approximately RMB4.8 million for the Reporting Period from approximately RMB12.4 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 RMB4.2 million or 73.3% as compared to the same period last year. The gross profit margin of furniture products decreased from approximately 14.2% for the same period last year to approximately 5.0% 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 RMB1.7 million as compared to the same period last year. Due to the smaller sales revenue base, the above factors resulted in a 5.6% decrease in gross profit margin; (ii) 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 weak 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 50.8% as compared to the same period last year. The decrease in gross profit margin from approximately 36.5% for the same period last year to approximately 6.0% for the Reporting Period was mainly attributable to (i) the lower gross profit margin recognized as a result of the buildout management agreement during the Reporting Period; (ii) the amortisation of the "intangible assets arising from the acquisition of the data centre" of approximately RMB4.2 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, such factor resulted in a 22.8% decrease in gross profit margin.

Other income

The Group's other income for the Reporting Period was approximately RMB1,395,000, representing a decrease of approximately 40.2% as compared to that of approximately RMB2,332,000 for the same period last year, which was mainly attributable to (i) the interest income from other receivables of approximately RMB1,441,000 recorded in the same period last year, while only approximately RMB516,000 was recorded for the Reporting Period; (ii) the change in fair value of financial assets at fair value through profit or loss decreased by approximately RMB76,000 as compared with the same period last year; (iii) the decline in other income was offset by an increase in dividend income from financial assets at fair value through profit or loss of approximately RMB77,000 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 RMB5.7 million, representing a decrease of approximately 14.1% from approximately RMB6.6 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 RMB0.3 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 10.0% 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.

Administrative and other expenses

During the Reporting Period, the Group's administrative and other expenses amounted to approximately RMB26.0 million, representing an increase of approximately RMB6.2 million or 31.4% from approximately RMB19.8 million for the same period last year. Among which, administrative and other expenses of the data centre segment amounted to approximately RMB2.2 million, representing a decrease of approximately RMB4.6 million or 67.6% 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 RMB3.8 million in the same period last year, which was included in administrative and other expenses, whereas it was included in cost of sales therein 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 RMB23.8 million, representing an increase of approximately RMB10.9 million or 83.9% as compared to the same period last year, which was mainly attributable to: (i) the recognition of equity-settled share-based payment expense amounted to RMB9.5 million during the Reporting Period as the Company granted Share Option Deed; (ii) an increase in the Group's provision for expected credit losses of approximately RMB1.9 million as compared to the same period last year; and (iii) during the Reporting Period, some of the growth in administrative expenses was offset by the decrease in other expenses such as product development expenditure as compared to the same period last year.

Finance costs

During the Reporting Period, the Group's finance costs amounted to approximately RMB2.8 million, while the finance cost was approximately RMB3.9 million for the same period last year, representing a year-on-year decrease of approximately 27.0%. 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 RMB1.1 million as compared to the same period last year; (ii) under HKFRS 16, interest expense from lease liabilities decreased by approximately RMB1.3 million as compared to the same period last year; (iii) the interest expenses arising from the issuance of convertible bonds by the Group increased by approximately RMB1.3 million as compared to the same period last year, primarily attributable to the completion of placing of convertible bonds in the aggregate principal amount of US$8 million on 6 August 2021. As of the Reporting Period, the estimated interest expenses incurred was approximately RMB1.1 million, as detailed in note 11 of the consolidated financial statements.

Income tax expense

During the Reporting Period, the Group's income tax credit was approximately RMB0.9 million, while the income tax credit was approximately RMB0.1 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 RMB0.3 million 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.

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.

DISCLOSURE OF INTERESTS

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

As at 30 September 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, "SFO") 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 SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

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

Notes:

1. Such shares are held by Sun Universal Limited, and its 100% equity interest is owned by Mr. Ma. Mr. Ma is deemed to be interested in the shares held by Sun Universal for the purpose of Part XV of the SFO.

2. Mr. Yi is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi is deemed to be interested in all the shares which Ms. Zhang Gui Hong is interested for the purpose of Part XV of the SFO.

3. Pursuant to the Share Option Deed, the Company conditionally granted options to Mr. Lai, and Mr. Lai has the right to request the Company to allot and issue up to 100,000,000 subscription shares at the subscription price. After Mr. Lai fully exercised the share options, his shareholding will be equivalent to 11.02% of the existing issued share capital of the Company and approximately 9.93% of the Company's issued share capital enlarged by the issuance of subscription shares. During the Reporting Period, Mr. Lai has not exercised any share option. *(Note 10 of the financial statements)*

4. Based on the total number of 907,333,333 ordinary shares in issue as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register of the Company required to be kept therein, pursuant to section 352 of the SFO, 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 September 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 SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

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

Notes:

1. Ms. Hung is the spouse of Mr. Ma. Accordingly, Ms. Hung is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the SFO.

2. The entire issued share capital of Brilliant Talent Global Limited is legally and beneficially owned by Ms. Zhang. Ms. Zhang is deemed to be interested in the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.

3. Pursuant to the Placing Agreement (Note 11 of the financial statements), the Company conditionally allotted the Convertible Bonds convertible into 46,800,000 shares of the Company at the conversion price to Even Joy. Upon conversion in full, the shareholding represents 5.15% of the existing issued share capital of the Company. During the Reporting Period, Even Joy has not converted any Convertible Bond.

4. The entire issued share capital of Even Joy is legally and beneficially owned by Mr. Hung. Accordingly, Mr. Hung is deemed to be interested in the shares held by Even Joy for the purpose of Part XV of the SFO.

5. Pursuant to the Placing Agreement, the Company conditionally allotted the Convertible Bonds convertible into 46,800,000 shares of the Company at the conversion price to Mr. Tsoi. Upon conversion in full, the shareholding represents 5.15% of the existing issued share capital of the Company. During the Reporting Period, Mr. Tsoi has not converted any Convertible Bond.

6. Based on the total number of 907,333,333 ordinary shares in issue as at 30 September 2021.

Save as disclosed above, as at 30 September 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 SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

Save as disclosed in note 10 of the financial statements, as of 30 September 2021, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

COMPETING INTERESTS

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

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

Save as disclosed above, for the nine months ended 30 September 2021, none of the Directors or substantial Shareholder or any of their respective close 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.

OTHER INFORMATION

CONNECTED TRANSACTIONS

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

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

(1) entering into the above SPV Loan Agreement; and

(2) entering into the Share Option Deed *(Note 10 of the financial statements)*

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

During the Reporting Period, the Company used the proceeds from the placing of convertible bonds *(Note 11 of the financial statements)* and its own fundings to advance the first tranche of Loan amounting to RMB50.0 million to the SPV; and relevant interest income of approximately RMB0.42 million has been accrued.

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 nine months ended 30 September 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 nine months ended 30 September 2021 and up to the date of this report.

CHANGE IN INFORMATION OF DIRECTORS

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

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

Saved for the aforesaid changes, for the nine months ended 30 September 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

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

CORPORATE GOVERNANCE PRACTICES

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

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

Hong Kong, 10 November 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.