

# ZHI SHENG GROUP HOLDINGS LIMITED

## 智昇集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8370)**

### **ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE THREE MONTHS AND TWELVE MONTHS ENDED 31 DECEMBER 2021**

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This announcement, for which the Directors (the "**Directors**") of Zhi Sheng Group Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together the "**Group**"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other 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 announce the unaudited condensed consolidated results of the Group for the three months and the twelve months ended 31 December 2021, together with the comparative audited figures for Year 2020 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND THE TWELVE MONTHS ENDED 31 DECEMBER 2021

		Ended 31 December Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Ended 31 December Twelve months 2021 RMB'000 Restated (Unaudited)	Year 2020 RMB'000 (Audited)
	Notes				
Revenue	5	25,441	23,988	74,296	82,419
Cost of sales		(25,222)	(30,513)	(71,689)	(76,528)
Gross profit		219	(6,525)	2,607	5,891
Other income		1,666	1,476	5,511	3,808
Selling and distribution expenses		(2,300)	(2,091)	(7,958)	(8,675)
Administrative and other expenses		(7,085)	(4,107)	(29,902)	(22,589)
Impairment loss on trade and other receivables		(3,006)	(200)	(6,209)	(1,515)
Finance costs		(2,208)	(695)	(5,043)	(4,576)
Loss before income tax		(12,714)	(12,142)	(40,994)	(27,656)
Income tax credit	6	679	573	1,606	703
Loss for the period attributable to the owners of the Company		(12,035)	(11,569)	(39,388)	(26,953)
Other comprehensive income/ (loss) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		972	(546)	935	(824)
Total comprehensive loss for the period attributable to the owners of the Company		(11,063)	(12,115)	(38,453)	(27,777)
Loss per share	8				
— Basic and diluted (RMB cents)		(1.33)	(1.28)	(4.34)	(2.98)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		31 December 2021	31 December 2020
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		45,105	46,899
Right-of-use assets		23,072	37,613
Intangible asset		2,644	8,251
Long-term loan receivables		50,000	–
Goodwill		30,827	30,827
<b>Total non-current assets</b>		<b>151,648</b>	123,590
<b>Current assets</b>			
Inventories		12,391	15,667
Contract assets		2,502	2,668
Trade, lease and other receivables	9	45,996	58,820
Cash and cash equivalents		45,471	64,552
<b>Total current assets</b>		<b>106,360</b>	141,707
<b>Total assets</b>		<b>258,008</b>	265,297
<b>Current liabilities</b>			
Contract liabilities		8,519	2,882
Trade and other payables	10	28,526	21,156
Bank borrowings		–	30,000
Lease liabilities		4,949	14,861
Convertible bonds		819	–
Tax payable		23	2
<b>Total current liabilities</b>		<b>42,836</b>	68,901
<b>Net current assets</b>		<b>63,524</b>	72,806
<b>Total assets less current liabilities</b>		<b>215,172</b>	196,396

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	31 December 2021	31 December 2020
<i>Notes</i>	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>		
Lease liabilities	5,486	10,088
Convertible bonds	57,611	7,041
Deferred tax liabilities	5,405	7,044
Total non-current liabilities	<b>68,502</b>	24,173
<b>Total liabilities</b>	<b>111,338</b>	93,074
<b>NET ASSETS</b>	<b>146,670</b>	172,223
<b>EQUITY</b>		
Equity attributable to the owners of the Company		
Share capital	8,016	8,016
Reserves	138,654	164,207
<b>TOTAL EQUITY</b>	<b>146,670</b>	172,223

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

	Share capital	Share premium	Convertible bond equity reserve	Share option reserve	Other reserve	Statutory reserve	Foreign exchange reserve	Retained earnings/ (Accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2020</b>									
<b>(Audited, restated)</b>	7,100	163,826	-	-	(11,131)	4,158	(8,579)	13,003	168,377
Loss for the period	-	-	-	-	-	-	-	(26,953)	(26,953)
Other comprehensive income:									
Exchange difference									
on translating foreign operations	-	-	-	-	-	-	(824)	-	(824)
Total comprehensive expense for the period	-	-	-	-	-	-	(824)	(26,953)	(27,777)
Issue of consideration shares	916	23,370	-	-	-	-	-	-	24,286
Issue of convertible bonds	-	-	7,337	-	-	-	-	-	7,337
Transfer to statutory reserve	-	-	-	-	-	340	-	(340)	-
<b>As at 31 December 2020</b>									
<b>(Audited)</b>	8,016	187,196	7,337	-	(11,131)	4,498	(9,403)	(14,290)	172,223
<b>As at 1 January 2021</b>									
<b>(Audited)</b>	8,016	187,196	7,337	-	(11,131)	4,498	(9,403)	(14,290)	172,223
Loss for the period	-	-	-	-	-	-	-	(39,388)	(39,388)
Other comprehensive income:									
Exchange difference									
on translating foreign operations	-	-	-	-	-	-	935	-	935
Total comprehensive expense for the period	-	-	-	-	-	-	935	(39,388)	(38,453)
Recognition of equity-settled share-based payment expense	-	-	-	11,838	-	-	-	-	11,838
Issue of convertible bonds	-	-	1,062	-	-	-	-	-	1,062
Transfer to statutory reserve	-	-	-	-	-	74	-	(74)	-
<b>As at 31 December 2021</b>									
<b>(Unaudited)</b>	8,016	187,196	8,399	11,838	(11,131)	4,572	(8,468)	(53,752)	146,670

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 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. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to the resolution of the Board of the Company dated 17 November 2021, the financial year end date of the Company has been changed from 31 December to 30 June. Accordingly, the next published audited financial statements of the Group will cover 18 months' period from 1 January 2021 to 30 June 2022. Therefore, the financial period of this interim report covers the twelve months ended 31 December 2021 and comparable data covers the year ended 31 December 2020.

## 3. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the twelve months ended 31 December 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 requirements 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") effective 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 financial statements of the Group for the year ended 31 December 2020.

The adoption of the new and revised HKFRSs has no material impact on such unaudited condensed consolidated financial statements. The Group has not early adopted the new and revised HKFRSs which have been issued but not yet effective during the current accounting period of the Group.

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 4. 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 performance assessment and resource allocation.

For the twelve months ended 31 December 2021 (the "Reporting Period"), the Group has two reportable segments, which are 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

	Office furniture		Data centre		Total	
	Ended 31 December Twelve months 2021	Year 2020	Ended 31 December Twelve months 2021	Year 2020	Ended 31 December Twelve months 2021	Year 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	Restated (Unaudited)	(Audited)	Restated (Unaudited)	(Audited)
<b>Segment revenue</b>						
Sale of office furniture products	50,592	57,692	-	-	50,592	57,692
Information technology management service	-	-	2,291	294	2,291	294
Internet access connection service	-	-	537	574	537	574
Data centre operating and security service	-	-	1,238	2,625	1,238	2,625
Rental of server racks	-	-	19,638	21,234	19,638	21,234
	<b>50,592</b>	<b>57,692</b>	<b>23,704</b>	<b>24,727</b>	<b>74,296</b>	<b>82,419</b>
<b>Segment results</b>	<b>(21,027)</b>	<b>(20,087)</b>	<b>(3,451)</b>	<b>(3,655)</b>	<b>(24,478)</b>	<b>(23,742)</b>
Unallocated expenses*					(13,940)	(3,048)
Interest income					1,203	6
Interest expense on convertible bonds					(3,779)	(872)
<b>Loss before income tax</b>					<b>(40,994)</b>	<b>(27,656)</b>

\* 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 TWELVE MONTHS ENDED 31 DECEMBER 2021

## 4. SEGMENT REPORTING (Continued)

### (b) Reportable segment assets and liabilities

	Office furniture		Data centre		Total	
	Ended 31 December		Ended 31 December		Ended 31 December	
	Twelve months		Twelve months		Twelve months	
	2021	Year 2020	2021	Year 2020	2021	Year 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets <sup>△</sup>	129,253	176,296	75,115	78,057	204,368	254,353
Cash and cash equivalents					2,409	10,756
Long-term loan receivables					50,000	-
Unallocated corporate assets <sup>△</sup>					1,231	188
					<b>258,008</b>	265,297
Segment liabilities <sup>△△</sup>	(24,371)	(46,726)	(27,121)	(38,654)	(51,492)	(85,380)
Convertible bonds					(58,430)	(7,041)
Unallocated corporate liabilities <sup>△△</sup>					(1,416)	(653)
					<b>(111,338)</b>	(93,074)

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

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



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 4. SEGMENT REPORTING (Continued)

### (c) Other segment information

	Office furniture		Data centre		Unallocated		Total	
	Ended 31 December		Ended 31 December		Ended 31 December		Ended 31 December	
	Twelve months		Twelve months		Twelve months		Twelve months	
	2021	Year 2020	2021	Year 2020	2021	Year 2020	2021	Year 2020
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Bank interest income	37	4	51	15	1	4	89	23
Interest income from other receivables	-	2,302	887	-	1,203	-	2,090	2,302
Interest income arising from unwinding contract assets with significant financing component	172	232	-	-	-	-	172	232
Interest expense on bank borrowings	66	1,630	-	-	-	-	66	1,630
Interest expense on lease liabilities	27	41	1,171	2,033	-	-	1,198	2,074
Interest expense on convertible bonds	-	-	-	-	3,779	872	3,779	872
Amortisation of intangible assets	-	-	5,607	5,373	-	-	5,607	5,373
Depreciation of right-of-use assets	784	711	14,034	13,822	-	-	14,818	14,533
Depreciation of property, plant and equipment	4,401	3,896	-	-	-	-	4,401	3,896
Loss on write-off and disposal of property, plant and equipment	43	2	-	-	-	-	43	2
Impairment loss on property, plant and equipment	-	822	-	-	-	-	-	822
Impairment loss on right-of-use assets	-	38	-	-	-	-	-	38
Impairment loss on trade and other receivables	6,209	1,475	-	40	-	-	6,209	1,515
Write-off of trade and other receivables	-	3,036	-	-	-	-	-	3,036
Addition to intangible assets through business combination	-	-	-	13,624	-	-	-	13,624
Addition to property, plant and equipment	2,663	53	-	-	-	-	2,663	53
Addition to right-of-use assets	277	865	-	-	-	-	277	865
Addition to right-of-use assets through business combination	-	-	-	36,343	-	-	-	36,343
Recognition of equity-settled share-based payment expense	-	-	-	-	11,817	-	11,817	-

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 4. SEGMENT REPORTING (Continued)

### (d) Geographical information

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

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
<b>Revenue from external customers</b>				
The PRC	25,429	23,694	72,005	82,125
Hong Kong, the PRC	12	294	2,291	294
	<b>25,441</b>	<b>23,988</b>	<b>74,296</b>	<b>82,419</b>

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 TWELVE MONTHS ENDED 31 DECEMBER 2021

## 4. SEGMENT REPORTING (Continued)

### (e) Information about major customer

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

	Ended 31 December		Ended 31 December		From reporting segment
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)	
Customer A	4,686	-	N/A	-	Manufacture and sale of furniture products
Customer B	3,185	-	N/A	-	Manufacture and sale of furniture products
Customer C	-	2,420	-	N/A	Manufacture and sale of furniture products
Customer D	N/A	N/A	N/A	8,395	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 TWELVE MONTHS ENDED 31 DECEMBER 2021

## 5. REVENUE

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
<b>Revenue from contracts with customer within the scope of HKFRS 15</b>				
Sale of furniture products	20,191	17,739	50,592	57,692
Information technology management service	4	294	2,291	294
Internet access connection service	102	72	537	574
Data centre operating and security service	258	755	1,238	2,625
	<b>20,555</b>	18,860	<b>54,658</b>	61,185
<b>Revenue from other sources</b>				
Rental of server racks	4,886	5,128	19,638	21,234
	<b>25,441</b>	23,988	<b>74,296</b>	82,419

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

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
<b>Timing of revenue recognition</b>				
At a point in time	20,191	17,739	50,592	57,692
Over time	364	1,121	4,066	3,493
	<b>20,555</b>	18,860	<b>54,658</b>	61,185

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 5. REVENUE (Continued)

The Group's revenue is divided into two parts by reporting segment: sale of furniture products and data centre business. In order to more reasonably reflect the data centre business, the income and cost of buildout management agreement service in this announcement were separated from "revenue" and "cost of sales" and presented in "net income from buildout management agreement service" under "other income" on the basis of its net income and cost, with an analysis as follows:

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
Sale of furniture products	20,191	17,739	50,592	57,692
Data centre business	5,250	6,249	23,704	24,727
	<b>25,441</b>	<b>23,988</b>	<b>74,296</b>	<b>82,419</b>

## 6. INCOME TAX CREDIT

	Ended 31 December		Ended 31 December	
	Three months 2021 RMB'000 (Unaudited)	Three months 2020 RMB'000 (Unaudited)	Twelve months 2021 RMB'000 (Unaudited)	Year 2020 RMB'000 (Audited)
Current tax				
— Tax for the period	(269)	1	34	1
Deferred tax				
— Current period	(410)	(574)	(1,640)	(704)
	<b>(679)</b>	<b>(573)</b>	<b>(1,606)</b>	<b>(703)</b>

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.

During the Reporting Period and the same period last year, no Hong Kong profit tax was provided in the consolidated financial statements.

Provision for the enterprise income tax in the PRC is calculated on a statutory tax rate of 25% of the estimated assessable profit as determined in accordance with the relevant income tax law in the PRC. During the Reporting Period and the same period last year, certain subsidiaries provided for enterprise income tax, apart from those subsidiaries, the other subsidiaries 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 TWELVE MONTHS ENDED 31 DECEMBER 2021

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the twelve months ended 31 December 2021 (Year 2020: nil). No shareholder has agreed to waive dividends.

## 8. 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 903,086,758 ordinary shares in issue for the twelve months ended 31 December 2021 and Year 2020.

	Ended 31 December		Ended 31 December	
	Three months	Three months	Twelve months	Year 2020
	2021	2020	2021	Year 2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The loss used to calculate the basic loss per share	(12,035)	(11,569)	(39,388)	(26,953)
	'000 shares	'000 shares	'000 shares	'000 shares
Number of shares used to calculate the basic loss per share	907,333	907,333	907,333	903,087

Note: The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the twelve months ended 31 December 2021 of approximately RMB39.388 million (same period last year: a loss of approximately RMB26.953 million), and on the weighted average number of 907,333,333 ordinary shares of the Company in issue (903,086,758 ordinary shares of the Company in issue for the same period last year).

Convertible bonds and share options which remained outstanding during both years have anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 9. TRADE, LEASE AND OTHER RECEIVABLES

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables (Note (a))	12,955	13,476
Lease receivables (Note (b))	2,472	2,010
Other receivables (Note (c))	15,004	15,490
Deposits	2,118	836
Prepayments (Note (d))	23,833	31,184
	<b>56,382</b>	62,996
Less: loss allowances	<b>(10,386)</b>	(4,176)
	<b>45,996</b>	58,820

### (a) Trade receivables

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total trade receivables	12,955	13,476
Less: loss allowances	<b>(6,752)</b>	(3,679)
Trade receivables, net	<b>6,203</b>	9,797

As at 31 December 2021, included in total trade receivables are trade receivables of RMB9,683,000 and QAD receivables of RMB1,546,000 from office furniture segment. The credit period granted to customers on product sales normally varies according to the terms of the contract, ranging from 30 days or up to 180 days from the invoice date.

Included in total trade receivables are trade receivables of RMB1,726,000 from data centre segment. The credit periods on service contracts with customers are normally within 30 days or up to 180 days from the invoice date, depending on the terms of the contracts.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 9. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

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

	<b>As at 31 December 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Within 3 months	<b>3,071</b>	7,545
More than 3 months	<b>9,884</b>	5,931
	<b>12,955</b>	13,476

The ageing analysis of trade receivables as of the end of the Reporting Period, based on past due dates and net of loss allowances, is as follows:

	<b>As at 31 December 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Current (not past due)	<b>3,252</b>	3,523
Less than 1 month past due	<b>1,130</b>	1,120
1 to 3 months past due	<b>792</b>	3,406
More than 3 months but less than 6 months past due	<b>176</b>	426
More than 6 months past due	<b>853</b>	1,322
	<b>6,203</b>	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 TWELVE MONTHS ENDED 31 DECEMBER 2021

## 9. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

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

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
At the beginning of the year	3,679	2,661
Loss allowance recognised during the year	3,073	1,018
At the end of the year (period)	<b>6,752</b>	3,679

As at 31 December 2021 and 31 December 2020, the Group applied simplified approach to measure lifetime expected credit losses (“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 the end of the Reporting Period.

#### As at 31 December 2021

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Current (not past due)	0.4	1,531	5	1,526
Less than 1 month past due	0.4	1,134	5	1,129
1 to 3 months past due	8	861	69	792
More than 3 months but less than 6 months past due	13.6	204	28	176
More than 6 months past due	97.6	5,952	5,810	141
		<b>9,682</b>	<b>5,917</b>	<b>3,765</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 9. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

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 31 December 2021, the Group applied simplified approach to measure lifetime ECLs on (1) the Group's QAD receivables for office furniture segment of RMB1,546,000 using probability-default model. The ECL rate was 54.0% and the loss allowance as at the end of the Reporting Period was RMB835,000; and (2) the Group's trade receivables for data centre segment of RMB1,726,000 using probability-default model. Since ECLs were immaterial, no loss allowance was 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 RMB2,472,000 using probability-default model. Since ECLs were immaterial, no loss allowance was made during the Reporting Period.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 9. TRADE, LEASE AND OTHER RECEIVABLES (Continued)

### (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 were due from two financial institutions in the PRC. The balances were 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.
- (iii) As at 31 December 2021, among the other receivables, two debt instruments at amortised cost of RMB5,000,000 and RMB 5,200,000 with respective interest receivables of RMB294,582 were due from two financial institutions in the PRC. The balances were unsecured, interest-bearing at 7.1% per annum and repayable in three months.
- (iv) As at 31 December 2021, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB17,122,000 using probability-default model and made loss allowance of RMB69,000 during the Reporting Period. Accumulated loss allowance amounted to RMB566,000.

### (d) Prepayments

As at 31 December 2021, the prepayments of approximately RMB23,470,000 (2020: RMB29,546,000) were prepayments provided for the suppliers in respect of the purchase of raw materials or auxiliary furniture.

During the Reporting Period, the Group applied general approach to measure ECLs on the abovementioned prepayments using probability-default model and made loss allowance of RMB3,068,000 during the Reporting Period (2020: RMB nil).

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 10. TRADE AND OTHER PAYABLES

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables (Note (a))	8,945	7,465
Other payables and accruals (Note (b))	15,816	10,039
Other tax payables	3,765	3,652
	<b>28,526</b>	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:

	As at 31 December 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	5,946	4,779
More than 3 months	2,999	2,686
	<b>8,945</b>	7,465

### (b) Other payables and accruals

As at 31 December 2021, included in other payables is an amount due to the former registered owner of the Group's subsidiary of RMB5,665,000. The amount was unsecured, interest-free and repayable on demand (31 December 2020 : RMB 6,665,000). During the Reporting Period, the increase in other payables mainly comprised current account received and paid in respect of buildout project entrustment of the joint venture in a total of RMB4,719,000.

# 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**

For the twelve months ended 31 December 2021, the Group's sales revenue from manufacture and sale of furniture products segment decreased by approximately 12.3% as compared to the same period last year. The impact of the novel coronavirus epidemic, which is still ravaging the world, has exceeded our previous expectations and the furniture industry is facing further reshuffle as there is a slowdown in the commercial real estate investment. As the majority of deliveries during the same period last year were for sales orders placed prior to the 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Data centre business

During the Reporting Period, the Group's revenue from the data centre segment decreased by approximately 4.1% as compared to the same period last year. Although the current revenue from the data centre segment is mainly the rental income from server rack rentals, the business is relatively stable. However, due to the pessimistic sentiment of the two-year-long COVID-19 pandemic, some customers' leases were not renewed upon expiry and new customers were unable to make up for revenue lost from the existing customers. It is now actively sourcing new customers, with each business being progressed steadily. In addition, the Group's subsidiary (Beijing Wannuotong Technology Company Limited, hereinafter referred to as "**WNT**") entered into the Buildout Management Agreement with a cooperating party on 1 June 2021 to commence engineering and management service as construction manager for buildout construction works and started to recognise the profit of the relevant business according to the progress of the buildout management project. In addition, one-off legal and professional fees of approximately RMB2.6 million incurred from the signing of the agreement significantly affected the results performance of the data centre segment. During the Reporting Period, apart from the amortisation expense of intangible assets of approximately RMB5.6 million, data centre segment has contributed approximately RMB23.7 million to the Group's revenue (approximately RMB24.7 million for the same period last year) and approximately RMB2.1 million to the Group's profit before income tax (approximately RMB1.7 million for the same period last year).

During the Reporting Period, the Group recorded a revenue of approximately RMB74.3 million, representing a decrease of approximately RMB8.1 million or approximately 9.9% as compared to the same period last year. During the Reporting Period, the Group recorded a loss of approximately RMB39.4 million, as compared with the loss of approximately RMB27.0 million recorded by the Group for the same period 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 RMB50.6 million, representing a decrease of approximately RMB7.1 million or approximately 12.3% as compared to the same period last year, and the gross profit margin was under further pressure as the Group continued to compete for more furniture orders at lower product prices to maintain effective operations during the Reporting Period, combining to result in the decrease of gross profit by approximately RMB1.7 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 RMB1.5 million as compared to the same period last year; and (2) administrative and other expenses increased by approximately RMB9.7 million as compared to the same period last year, mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB11.8 million as the Company granted the Share Option Deed; (ii) a significant increase in the Group's provision for ECLs as compared to the same period last year; (iii) an increase in finance costs of approximately RMB1.3 million as compared to the same period last year; and (iv) a decrease in selling and distribution expenses of approximately RMB0.7 million as compared to the same period last year. Contribution from the data centre segment to the Group's profit before income tax increased by approximately RMB1.1 million as compared to the same period last year, offsetting the increase in part of 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. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

In addition, on 1 June 2021, WNT entered into the Buildout Management Agreement with a cooperating 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 are 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 of 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 of the Group in the future. As the project progressed, the Group is optimistic about the outlook of the profit contribution associated with the buildout management project, and it contributes positively to the earnings and assets of the Group for the forthcoming years.

We will continue to actively seek and explore more good opportunities for development, and believe that our entry into the data centre business will enable the Group to maximise its corporate value for the benefit of our shareholders.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB74.3 million, representing a decrease of approximately RMB8.1 million or approximately 9.9% as compared to the same period last year. Of which:



# MANAGEMENT DISCUSSION AND ANALYSIS

**Manufacture and sale of furniture products segment:** during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB50.6 million, representing a decrease of approximately RMB7.1 million or approximately 12.3% as compared to the same period last year, which was mainly attributable to the facts that:

- (i) Revenue from Guangdong Province decreased by approximately RMB4.7 million or 97.6% as compared to the same period last year, mainly due to the realisation of revenue of approximately RMB4.8 million from a newly contracted financial institution customer during the same period last year, as most of the orders from this customer were delivered and revenue was realised before the Reporting Period, resulting in the realisation of revenue of only approximately RMB0.12 million from this customer during the Reporting Period; revenue from Beijing and Zhejiang Province increased by approximately RMB0.9 million and RMB0.5 million respectively during the Reporting Period, which compensated to a certain extent for the decrease in revenue from manufacture and sale of furniture products segment;
- (ii) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing increased slightly by approximately RMB0.1 million or 0.2% as compared to the same period last year. During the Reporting Period, revenue from Sichuan Province and Chongqing City increased by 5.5% and 2.7% respectively as compared to the same period last year, but all three other provinces and regions in Southwest China experienced larger revenue declines as compared to the same period last year, among which, revenue from Guizhou Province, Yunnan Province and Tibet Region decreased by 50.6%, 70.8% and 15.9% respectively as compared to the same period last year. The revenue growth of Sichuan Province was mainly attributable to the Company's adaptation to local conditions and its focus on local cultivation in Sichuan. During the Reporting Period, five new major customers in Sichuan Province realised a total revenue of approximately RMB15.6 million. Due to the large sales base in Sichuan Province and Chongqing City, the amount of revenue growth slightly exceeded the sales decline in the other three provinces and regions and achieved a year-on-year growth; and
- (iii) Revenue from Chongqing Branch Office was approximately RMB4.1 million during the Reporting Period, representing a decrease of approximately RMB3.6 million or 46.3% as compared to the same period last year. Due to very weak sales demand and fierce competition, revenue from this branch office has declined rapidly since the second quarter and the Company is trying to reverse the unfavourable situation as soon as possible.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Data centre segment:** Data centre segment realised a revenue of approximately RMB23.7 million during the Reporting Period, representing a decrease of approximately RMB1.0 million or approximately 4.1% as compared to the same period last year. In order to more reasonably reflect the data centre business, the income and cost of buildout management agreement service in this announcement were separated from “revenue” and “cost of sales” and presented in “net income from buildout management agreement service” under “other income” on the basis of its net income and cost, therefore, the revenue of the data centre only reflects the revenue of the existing business. Due to the impact of COVID-19 pandemic, some customers’ leases were not renewed upon expiry and new customers were unable to make up for revenue lost from the existing customers, both of which were the main reasons for the slight decrease in revenue of the data centre segment.

## **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, amortisation of intangible assets, utilities bills, maintenance fee and rent. The Group’s cost of sales for the Reporting Period was approximately RMB71.7 million, representing a decrease of approximately RMB4.8 million or 6.3% over that of approximately RMB76.5 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 RMB47.9 million, representing a decrease of approximately RMB5.4 million or 10.2% 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 RMB6.2 million (the direct write-off of inventory disposal loss was approximately RMB3.5 million for the same period last year, and the decrease in cost of sales was offset by the increase in the Group’s provision for loss of inventories by approximately RMB2.4 million as compared to the same period last year); (ii) wages of production staff increased by approximately RMB0.5 million; and (iii) other production expenses increased by approximately RMB0.3 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Data centre segment:** cost of sales for the Reporting Period was approximately RMB23.8 million, representing an increase of approximately RMB0.6 million or 2.6%, mainly due to the amortisation of the “intangible assets arising from the acquisition of the data centre” of approximately RMB5.6 million recorded as cost of sales, representing an increase of approximately RMB0.23 million as compared to the same period last year, followed by an increase in wages and other overhead costs. As mentioned above, the cost of sales of the data centre for the Reporting Period will no longer include the cost of buildout management agreement service.

## **Gross profit**

Gross profit decreased to approximately RMB2.6 million for the Reporting Period from approximately RMB5.9 million for the same period last year. Of which:

**Manufacture and sale of furniture products segment:** gross profit for the Reporting Period decreased by approximately RMB1.7 million or 38.0% as compared to the same period last year. The gross profit margin of furniture products decreased from approximately 7.5% for the same period last year to approximately 5.3% for the Reporting Period. The decrease in gross profit margin was mainly attributable to: the 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Data centre segment:** gross profit for the Reporting Period decreased by approximately RMB1.6 million or 106.1% as compared to the same period last year. The decrease in gross profit margin from approximately 6.2% for the same period last year to approximately -0.4% for the Reporting Period was mainly attributable to the fact that: (i) the amortisation of the “intangible assets arising from the acquisition of the data centre” of approximately RMB5.6 million was recorded as cost of sales in accordance with the auditors’ opinion, representing an increase of approximately RMB0.23 million as compared to the same period last year; and (ii) the gross profit for the Reporting Period decreased as a result of a decrease in revenue of approximately RMB1.0 million as compared to the same period last year, as well as an increase in wages and other overhead costs.

## **Administrative and other expenses**

During the Reporting Period, the Group’s administrative and other expenses amounted to approximately RMB36.1 million, representing an increase of approximately RMB12.0 million or 49.8% from approximately RMB24.1 million for the same period last year. Of which: administrative and other expenses of the data centre segment amounted to approximately RMB5.7 million, representing an increase of approximately RMB2.3 million or 67.6% as compared to the same period last year. The increase was mainly attributable to one-off legal and professional fees of approximately RMB2.6 million incurred during the Reporting Period in relation to the Buildout Management Agreement and the SPV Loan Agreement and the decrease in daily office expenses. Excluding the administrative expenses incurred from the data centre segment, the Group’s administrative and other expenses for the Reporting Period amounted to approximately RMB30.4 million, representing an increase of approximately RMB9.7 million or 46.9% as compared to the same period last year. The increase was mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB11.8 million during the Reporting Period the Company granted the Share Option Deed; (ii) the increase in the Group’s provision for ECLs as compared to the same period last year; (iii) the actual write-off of bad debt losses of approximately RMB3.0 million during the same period last year, whereas there was no such amount during the Reporting Period; (iv) the decrease in other expenses such as product research and development expenses and welfare expenses of approximately RMB2.3 million and RMB0.8 million respectively during the Reporting Period as compared to the same period last year. The increase in administrative expenses was partially offset by (iii) and (iv) above.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

During the Reporting Period, the Group's finance costs amounted to approximately RMB5.0 million, while the finance costs were approximately RMB4.6 million for the same period last year, representing a year-on-year increase of approximately RMB0.4 million or 10.2%. The increase in the Group's finance costs was mainly attributable to: (i) the increase in interest expense arising from the issuance of convertible bonds payable by the Group of approximately RMB2.9 million as compared to the same period last year, mainly attributable to the completion of the placing of convertible bonds with an aggregate principal amount of US\$8 million on 6 August 2021, which incurred imputed interest expense of approximately RMB2.8 million as of the end of the Reporting Period, as detailed in note 14 to the consolidated financial statements; (ii) the adoption of the new HKFRS 16 on leases by the Group, in which lease commitments were recognised 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 RMB0.9 million as compared to the same period last year; and (iii) the repayment of the liquidity loan obtained from China CITIC Bank on 4 January 2021, the interest expense incurred thereon decreased by approximately RMB1.6 million as compared to the same period last year, with (ii) and (iii) above offsetting the increase in finance costs.

## Income tax credit

During the Reporting Period, the Group's income tax credit amounted to approximately RMB1.6 million, while the income tax credit was approximately RMB0.7 million for the same period last year. The income tax credit of the Group was due to: (i) the fact that during the Reporting Period, the majority of the Group's subsidiaries were loss-making for the corresponding reporting periods, except for individual subsidiaries for which corporate income tax was provided, 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 date centre segment and the fair value adjustment of assets caused by the acquisition of subsidiaries in previous years.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its operations by internally generated cash flow and net proceeds from the placing of convertible bonds under the general mandate. As at 31 December 2021, the Group had net current assets of approximately RMB63.5 million (31 December 2020: approximately RMB72.8 million) including bank balances and cash of approximately RMB45.5 million (31 December 2020: approximately RMB64.6 million). As at 31 December 2021, the Group did not have outstanding interest-bearing bank loan (31 December 2020: RMB30.0 million). As at 31 December 2021, the Group's current ratio (defined as the ratio of current assets to current liabilities) was approximately 2.5 (31 December 2020: approximately 2.1).

## CAPITAL STRUCTURE

As at 31 December 2021, the Group's total equity attributable to the owners of the Company amounted to approximately RMB146.7 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.

## GEARING RATIO

As at 31 December 2021, the gearing ratio (defined as total debt divided by total equity. Total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) amounted to approximately 0.58 (31 December 2020: approximately 0.42).

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group was not aware of any material contingent liabilities or guarantees.

## SIGNIFICANT INVESTMENTS HELD

As of 31 December 2021, the Company did not hold any significant investments (same period last year: nil).

## FOREIGN EXCHANGE EXPOSURE

As the Group conducts its business transactions principally in RMB, the Group's exposure to foreign currency fluctuations is minimal. The Group was not a party to any foreign exchange hedging instrument as at 31 December 2021. However, the Group will review and monitor from time to time the risk relating to foreign exchange.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EVENTS AFTER THE REPORTING PERIOD

On 25 January 2022, the Company entered into an agreement (the “**Agreement**”) with 東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd.\*) (the “**Borrower**”), pursuant to which the Company will provide pledges of a parcel of land and buildings located at Chengdu City, Sichuan Province, the PRC to assist the Borrower in obtaining of the financing from the bank(s) up to a maximum of RMB60,000,000. Pursuant to the Agreement, the borrower shall grant an exclusive management right to the Group to manage the data centre(s) to be owned or controlled by the Borrower and/or its associates and the Borrower shall also grant an exclusive right to the Group as its agent to procure the sale and/or lease of the relevant data centre rack(s) to customers, subject to the terms and conditions of the relevant contracts to be entered into by the parties. The entering into of the Agreement and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to, among others, shareholders’ approval at the EGM. Details of the Agreement are set out in the Company’s announcement dated 25 January 2022.

Save as the above event, the Group did not have any events that should be disclosed but had not been disclosed.

## INFORMATION ON EMPLOYEES

As at 31 December 2021, the Group engaged a total of 197 employees (same period of 2020: 203) including the Directors. For the twelve months ended 31 December 2021, total staff costs amounted to approximately RMB13.2 million (same period of 2020: approximately RMB14.9 million). Remuneration (including employees’ benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees’ salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group’s business performance.

## 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 the above event after the Reporting Period, the Group had no asset pledge agreement.

\* For identification purpose only

# OTHER INFORMATION

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at 31 December 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 twelve months ended 31 December 2021, the Group did not have any material disposals and acquisitions of subsidiaries and affiliated companies.

## **SHARE OPTION SCHEME**

Save as disclosed in Note 13 to the financial statements, as of 31 December 2021, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

## **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 twelve months ended 31 December 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 twelve months ended 31 December 2021 and up to the date of this announcement.



# OTHER INFORMATION

## 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 change, for the twelve months ended 31 December 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## CORPORATE GOVERNANCE PRACTICES

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

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

Hong Kong, 11 February 2022

## OTHER INFORMATION

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

*This announcement will remain on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the Company's website at [www.qtbjgj.com](http://www.qtbjgj.com).*