

# 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

## INTERIM REPORT 2022/23



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This report, for which the Directors (the “**Directors**”) of Zhi Sheng Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together the “**Group**”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement 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 six months ended 31 December 2022, together with the comparative unaudited figures for Year 2021 as follows:

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

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

|   | Notes | Ended 31 December<br>Three months<br>2022<br>RMB'000<br>(Unaudited) | Three months<br>2021<br>RMB'000<br>Restated<br>(Unaudited) | Ended 31 December<br>Six months<br>2022<br>RMB'000<br>(Unaudited) | Six months<br>2021<br>RMB'000<br>Restated<br>(Unaudited) |
|---|-------|---|--|---|--|
| Revenue   | 4     | 34,339  | 26,331   | 70,759  | 74,804   |
| Cost of sales   |       | (31,028)  | (26,279)   | (65,454)  | (72,822)   |
| Gross profit  |       | 3,311   | 52   | 5,305   | 1,982  |
| Other income, net   | 5     | 1,388   | 1,833  | 3,039   | 2,573  |
| Selling and distribution expenses   |       | (1,573)   | (2,300)  | (3,596)   | (4,007)  |
| Administrative and other expenses   |       | (5,286)   | (7,085)  | (10,391)  | (21,381)   |
| Impairment loss on assets   |       | (391)   | (3,006)  | (1,241)   | (4,549)  |
| Operating loss  |       | (2,551)   | (10,506)   | (6,884)   | (25,382)   |
| Finance costs   | 6     | (2,560)   | (2,208)  | (4,996)   | (3,832)  |
| Loss before income tax  |       | (5,111)   | (12,714)   | (11,880)  | (29,214)   |
| Income tax (expenses)/credit  | 7     | (1)   | 679  | (355)   | 820  |
| Loss for the period attributable to the owners of the Company                         |       | (5,112)   | (12,035)   | (12,235)  | (28,394)   |
| Other comprehensive income/ (expenses) for the period after tax:                      |       |   |  |   |  |
| Item that may be reclassified subsequently to profit or loss:                         |       |   |  |   |  |
| Exchange differences on translating foreign operations                                |       | 1,664   | 972  | (1,895)   | 993  |
| Total comprehensive expenses for the period attributable to the owners of the Company |       | (3,448)   | (11,063)   | (14,130)  | (27,401)   |
| Loss per share  | 9     |   |  |   |  |
| — Basic and diluted (RMB cents)   |       | (0.56)  | (1.33)   | (1.35)  | (3.13)   |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

|  | Notes | 31 December<br>2022<br>RMB'000<br>(Unaudited) | 30 June<br>2022<br>RMB'000<br>(Audited) |
|--|-------|---|---|
| <b>ASSETS AND LIABILITIES</b>                |       |   |   |
| <b>Non-current assets</b>                    |       |   |   |
| Property, plant and equipment                |       | 41,236  | 42,955                                  |
| Right-of-use assets                          |       | 18,367  | 19,841                                  |
| Long-term loan receivables                   |       | 50,000  | 50,000                                  |
| Goodwill                                     |       | 25,197  | 25,197                                  |
| <b>Total non-current assets</b>              |       | <b>134,800</b>                                | 137,993                                 |
| <b>Current assets</b>                        |       |   |   |
| Inventories                                  |       | 8,497   | 10,751                                  |
| Contract assets                              |       | 2,449   | 30,193                                  |
| Trade, lease and other receivables           | 10    | 50,101  | 61,937                                  |
| Cash and cash equivalents                    |       | 32,170  | 28,936                                  |
| <b>Total current assets</b>                  |       | <b>93,217</b>                                 | 131,817                                 |
| <b>Total assets</b>                          |       | <b>228,017</b>                                | 269,810                                 |
| <b>Current liabilities</b>                   |       |   |   |
| Contract liabilities                         |       | 3,641   | 33,641                                  |
| Trade and other payables                     | 11    | 25,809  | 30,542                                  |
| Lease liabilities                            |       | 3,741   | 3,555                                   |
| Tax payable                                  |       | 1,480   | 974                                     |
| <b>Total current liabilities</b>             |       | <b>34,671</b>                                 | 68,712                                  |
| <b>Net current assets</b>                    |       | <b>58,546</b>                                 | 63,105                                  |
| <b>Total assets less current liabilities</b> |       | <b>193,346</b>                                | 201,098                                 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

|   |              | <b>31 December<br/>2022</b> | 30 June<br>2022 |
|---|--------------|-----------------------------|-----------------|
|   | <i>Notes</i> | <b>RMB'000</b>              | RMB'000         |
|   |              | <b>(Unaudited)</b>          | (Audited)       |
| <b>Non-current liabilities</b>                      |              |                             |                 |
| Lease liabilities                                   |              | 2,159                       | 3,719           |
| Convertible bonds                                   | 13           | 70,801                      | 64,835          |
| Deferred tax liabilities                            |              | 4,504                       | 4,623           |
| <b>Total non-current liabilities</b>                |              | <b>77,464</b>               | 73,177          |
| <b>Total liabilities</b>                            |              | <b>112,135</b>              | 141,899         |
| <b>NET ASSETS</b>                                   |              | <b>115,882</b>              | 127,921         |
| <b>EQUITY</b>                                       |              |                             |                 |
| Equity attributable to the owners<br>of the Company |              |                             |                 |
| Share capital                                       |              | 8,016                       | 8,016           |
| Reserves  |              | 107,866                     | 119,905         |
| <b>TOTAL EQUITY</b>                                 |              | <b>115,882</b>              | 127,921         |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

|   | Share capital | Share premium | Convertible bond equity reserve | Share option reserve | Other reserve | Statutory reserve | Foreign exchange reserve | Retained earnings/ (Accumulated losses) | Total    |
|---|---------------|---------------|---------------------------------|----------------------|---------------|-------------------|--------------------------|---|----------|
|   | RMB'000       | RMB'000       | RMB'000                         | RMB'000              | RMB'000       | RMB'000           | RMB'000                  | RMB'000                                 | RMB'000  |
| <b>As at 1 July 2021 (Unaudited)</b>                      | 8,016         | 187,196       | 7,337                           | -                    | (11,131)      | 4,521             | (9,461)                  | (25,307)                                | 161,171  |
| Loss for the year   | -             | -             | -                               | -                    | -             | -                 | -                        | (28,394)                                | (28,394) |
| Other comprehensive income:                               |               |               |                                 |                      |               |                   |                          |   |          |
| Exchange difference on translating foreign operations     | -             | -             | -                               | -                    | -             | -                 | 993                      | -                                       | 993      |
| Total comprehensive expense for the period                | -             | -             | -                               | -                    | -             | -                 | 993                      | (28,394)                                | (27,401) |
| Recognition of equity-settled share-based payment expense | -             | -             | -                               | 11,838               | -             | -                 | -                        | -                                       | 11,838   |
| Issue of convertible bonds                                | -             | -             | 1,062                           | -                    | -             | -                 | -                        | -                                       | 1,062    |
| Transfer to statutory reserve                             | -             | -             | -                               | -                    | -             | 51                | -                        | (51)                                    | -        |
| <b>As at 31 December 2021 (Unaudited)</b>                 | 8,016         | 187,196       | 8,399                           | 11,838               | (11,131)      | 4,572             | (8,468)                  | (53,752)                                | 146,670  |
| <b>As at 1 July 2022 (Audited)</b>                        | 8,016         | 187,196       | 22,217                          | 16,575               | (11,131)      | 4,608             | (11,422)                 | (88,138)                                | 127,921  |
| Loss for the period                                       | -             | -             | -                               | -                    | -             | -                 | -                        | (12,235)                                | (12,235) |
| Other comprehensive income:                               |               |               |                                 |                      |               |                   |                          |   |          |
| Exchange difference on translating foreign operations     | -             | -             | -                               | -                    | -             | -                 | (1,895)                  | -                                       | (1,895)  |
| Total comprehensive expense for the period                | -             | -             | -                               | -                    | -             | -                 | (1,895)                  | (12,235)                                | (14,130) |
| Recognition of equity-settled share-based payment expense | -             | -             | -                               | 2,091                | -             | -                 | -                        | -                                       | 2,091    |
| Transfer to statutory reserve                             | -             | -             | -                               | -                    | -             | 107               | -                        | (107)                                   | -        |
| <b>As at 31 December 2022 (Unaudited)</b>                 | 8,016         | 187,196       | 22,217                          | 18,666               | (11,131)      | 4,715             | (13,317)                 | (100,480)                               | 115,882  |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

|   | Ended 31 December                            |  |
|---|--|--|
|   | Six months<br>2022<br>RMB'000<br>(Unaudited) | Six months<br>2021<br>RMB'000<br>Restated<br>(Unaudited) |
| <b>Cash flows from operating activities</b>   |  |  |
| <b>Loss before income tax</b>   | <b>(11,880)</b>                              | <b>(29,214)</b>  |
| Adjustments for:  |  |  |
| Depreciation of right-of-use assets   | 1,923  | 7,394  |
| Depreciation of property, plant and equipment   | 2,450  | 2,458  |
| Amortisation of intangible assets   | –  | 2,804  |
| Loss on write-off and disposal of property, plant and equipment                             | 55   | 43   |
| Write-down of inventories to net realisable value   | 2,257  | 2,921  |
| Impairment loss on trade and other receivables  | 1,241  | 4,549  |
| Recognition of equity-settled share-based payment expense                                   | 2,091  | 11,817   |
| Bank interest income  | (103)  | (51)   |
| Interest income from loan receivables   | (1,537)                                      | (1,203)  |
| Interest income from other receivables  | (828)  | (1,143)  |
| Interest income arising from unwinding contract assets with significant financing component | (69)   | (58)   |
| Finance costs   | 4,996  | 3,831  |
| <b>Operating profit before working capital changes</b>                                      | <b>596</b>                                   | <b>4,148</b>   |
| (Increase)/decrease in inventories  | (3)  | 1,077  |
| Decrease in contract assets   | 27,813                                       | (255)  |
| Decrease/(increase) in trade and other receivables  | (868)  | 18,984   |
| Increase/(decrease) in contract liabilities   | (30,000)                                     | 4,962  |
| Increase/(decrease) in trade and other payables   | (4,733)                                      | 5,499  |
| <b>Cash generated from/used in operations</b>   | <b>(7,195)</b>                               | <b>34,415</b>  |
| Income tax paid   | –  | (10)   |
| Bank interest received  | 103  | 51   |
| <b>Net cash generated from/used in operating activities</b>                                 | <b>(7,092)</b>                               | <b>34,456</b>  |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

|   | Ended 31 December<br>Six months<br>2022<br>RMB'000<br>(Unaudited) | Six months<br>2021<br>RMB'000<br>Restated<br>(Unaudited) |
|---|---|--|
| <b>Cash flows from investing activities</b>   |   |  |
| Redemption of financial assets at fair value through profit or loss                 | –   | 5,052  |
| Purchase of debt instruments at amortised cost                                      | (11,000)  | (10,200)   |
| Redemption of debt instruments at amortised cost                                    | 24,000  | 4,000  |
| (Increase)/decrease in loan receivables   | –   | (50,000)   |
| Settlement received from other loans receivable                                     | –   | 3,800  |
| Interest received   | 828   | 959  |
| Purchase of property, plant and equipment   | (798)   | (2,169)  |
| Proceeds from disposal of property, plant and equipment                             | 12  | 13   |
| <b>Net cash used in/generated from investing activities</b>                         | <b>13,042</b>   | <b>(48,545)</b>  |
| <b>Cash flows from financing activities</b>   |   |  |
| Proceeds from issue of convertible bonds upon the placing, net of transaction costs | –   | 50,054   |
| Interest paid on convertible bonds  | (1,108)   | –  |
| Repayment of principal portion of lease liabilities                                 | (1,823)   | (7,469)  |
| Interest paid on lease liabilities  | (229)   | (479)  |
| <b>Net cash generated from financing activities</b>                                 | <b>(3,160)</b>  | <b>42,106</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                         | <b>2,790</b>  | <b>28,017</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b>                     | <b>28,936</b>   | <b>17,734</b>  |
| <b>Effect of foreign exchange rate changes on cash and cash equivalents</b>         | <b>444</b>  | <b>(280)</b>   |
| <b>Cash and cash equivalents at the end of the period</b>                           | <b>32,170</b>   | <b>45,471</b>  |
| <b>Analysis of balances of cash and cash equivalents</b>                            |   |  |
| Cash and bank balances at the end of the period                                     | 32,170  | 45,471   |



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Group is principally engaged in the manufacture and sales of furniture products in the PRC; and started to engage in the data centre business in the PRC and Hong Kong from January 2020. In June 2021, a subsidiary of the Group, 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("WNT"), entered into a buildout management agreement with Gu'an Fu'ai Electronics Co. Ltd. ("Gu'an Fu'ai") to commence buildout management service.

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

## 2. BASIS OF PREPARATION

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

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

The basis of preparation and accounting policies adopted in the preparation of such unaudited condensed consolidated financial statements are the same as those followed in the preparation of the audited financial statements of the Group for the eighteen months ended 30 June 2022.

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 3. SEGMENT REPORTING

The operating segments are determined with reference to the reports and financial information reviewed by the Company's executive directors responsible for financial and accounting matters for the purpose of assessment of performance and resource allocation.

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

- Manufacture and sale of furniture products segment — manufacture and sale of furniture products in the PRC for selling to the domestic PRC market;
- Data centre segment — data centre business in the PRC and Hong Kong, provide information technology management service in Hong Kong; and
- Buildout management service segment — provide engineering and management service for buildout projects in the PRC.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## (a) Reportable segment revenue and results

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

- \* The unallocated expenses comprised mainly of equity-settled share-based payments, the expenses of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## (b) Reportable segment assets and liabilities

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

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

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## (c) Other segment information

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

**(e) Information about major customer**

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

|            | Ended 31 December |                      | Ended 31 December |                      | From reporting segment                         |
|------------|-------------------|----------------------|-------------------|----------------------|--|
|            | Three months 2022 | Three months 2021    | Six months 2022   | Six months 2021      |  |
|            | RMB'000           | RMB'000              | RMB'000           | RMB'000              |  |
|            | (Unaudited)       | Restated (Unaudited) | (Unaudited)       | Restated (Unaudited) |  |
| Customer A | -                 | 4,686                | -                 | -                    | N/A Manufacture and sale of furniture products |
| Customer B | -                 | 3,185                | -                 | -                    | N/A Manufacture and sale of furniture products |
| Customer C | 4,251             | -                    | N/A               | -                    | - Manufacture and sale of furniture products   |
| Customer D | 9,572             | N/A                  | 31,738            | 31,680               | Buildout management service                    |

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 4. REVENUE

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

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

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



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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

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

## 5. OTHER INCOME, NET

|  | Ended 31 December    |                         | Ended 31 December  |                         |
|--|----------------------|-------------------------|--------------------|-------------------------|
|  | Three months<br>2022 | Three months<br>2021    | Six months<br>2022 | Six months<br>2021      |
|  | RMB'000              | RMB'000                 | RMB'000            | RMB'000                 |
|  | (Unaudited)          | Restated<br>(Unaudited) | (Unaudited)        | Restated<br>(Unaudited) |
| Interest income arising from<br>unwinding contract assets with<br>significant financing components | 10                   | 37                      | 69                 | 58                      |
| Bank interest income   | 46                   | 24                      | 103                | 51                      |
| Exchange(loss)   | (6)                  | -                       | (6)                | -                       |
| Interest income from loan receivables *  | 781                  | 783                     | 1,537              | 1,203                   |
| Interest income from other receivables *   | 296                  | 974                     | 828                | 1,143                   |
| Subsidy income and others  | 261                  | 15                      | 508                | 118                     |
|  | 1,388                | 1,833                   | 3,039              | 2,573                   |

Remark \*: For the convenience of comparison, after excluding "net income from buildout management agreement services" under "other income, net" in the condensed consolidated statement of profit or loss and other comprehensive income based on the annual audit opinion and reclassifying it to "revenue" and "cost of sales" items. Meanwhile, other income items for the corresponding period in 2021 were restated according to the annual audit categories.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 6. FINANCE COSTS

|                                       | Ended 31 December |              | Ended 31 December |              |
|---------------------------------------|-------------------|--------------|-------------------|--------------|
|                                       | Three months      | Three months | Six months        | Six months   |
|                                       | 2022              | 2021         | 2022              | 2021         |
|                                       | RMB'000           | RMB'000      | RMB'000           | RMB'000      |
|                                       | (Unaudited)       | (Unaudited)  | (Unaudited)       | (Unaudited)  |
| Interest expense on bank borrowings   | -                 | -            | -                 | -            |
| Interest expense on lease liabilities | 101               | 203          | 229               | 479          |
| Interest expense on convertible bonds | 2,459             | 2,005        | 4,767             | 3,353        |
|                                       | <b>2,560</b>      | <b>2,208</b> | <b>4,996</b>      | <b>3,832</b> |

## 7. INCOME TAX EXPENSE/(CREDIT)

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

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

Provision for the enterprise income tax in the PRC was calculated on a statutory tax rate of 25% of the estimated assessable profit as determined in accordance with the relevant income tax law in the PRC.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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

## 8. DIVIDENDS

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

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

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

  

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

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

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 10. TRADE, LEASE AND OTHER RECEIVABLES

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

### (a) Trade receivables

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

As at 31 December 2022, included in total trade receivables are trade receivables of RMB15,000,000 (30 June 2022: RMB8,258,000) and quality assurance deposit receivables of RMB1,666,000 (30 June 2022: RMB1,643,000) from manufacture and sale of furniture products. The credit period granted to customers on product sales normally varies according to the terms of the contract, ranging from 30 days or up to 180 days from the invoice date.

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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

|                    | As at<br>31 December<br>2022<br>RMB'000<br>(Unaudited) | As at<br>30 June<br>2022<br>RMB'000<br>(Audited) |
|--------------------|--|--|
| Within 3 months    | 10,056   | 3,703  |
| More than 3 months | 8,497  | 8,180  |
|                    | <b>18,553</b>  | <b>11,883</b>                                    |

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

|   | As at<br>31 December<br>2022<br>RMB'000<br>(Unaudited) | As at<br>30 June<br>2022<br>RMB'000<br>(Audited) |
|---|--|--|
| Current (not past due)                                | 8,194  | 2,994  |
| Less than 1 month past due                            | 614  | 770  |
| 1 to 3 months past due                                | 83   | 296  |
| More than 3 months but less than<br>6 months past due | 248  | 464  |
| More than 6 months past due                           | 1,507  | 384  |
|   | <b>10,646</b>  | <b>4,908</b>                                     |

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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

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

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

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

## As at 31 December 2022

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

As at 30 June 2022

|  | ECL rate % | Gross carrying amount RMB'000 | Lifetime ECLs RMB'000 | Net carrying amount RMB'000 |
|--|------------|-------------------------------|-----------------------|-----------------------------|
| Current (not past due)                             | 11.6       | 1,148                         | 133                   | 1,015                       |
| Less than 1 month past due                         | 11.7       | 445                           | 52                    | 393                         |
| 1 to 3 months past due                             | 28.5       | 414                           | 118                   | 296                         |
| More than 3 months but less than 6 months past due | 52.4       | 974                           | 510                   | 464                         |
| More than 6 months past due                        | 100.0      | 5,277                         | 5,277                 | –                           |
|  |            | 8,258                         | 6,090                 | 2,168                       |

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

As at 31 December 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB1,887,000 using probability-default model. The ECL rate was 29.72%. The loss allowance as at the end of the Reporting Period was RMB562,000. As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB1,982,000 using probability-default model. The ECL rate was 0.15%. The loss allowance as at the end of the Reporting Period was RMB3,000.

## (b) Lease receivables

As at 31 December 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB3,610,000 using probability-default model. The ECL rate was 2.2%. The loss allowance as at the end of the Reporting Period was RMB80,000. As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB6,741,000 using probability-default model. The ECL rate was 1.15%. The loss allowance as at the end of the Reporting Period was RMB78,000.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## (c) Other receivables

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

## (d) Prepayments

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



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 11. TRADE AND OTHER PAYABLES

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

### (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<br>31 December<br>2022<br>RMB'000<br>(Unaudited) | As at<br>30 June<br>2022<br>RMB'000<br>(Audited) |
|--------------------|--|--|
| Within 3 months    | 6,119  | 5,707  |
| More than 3 months | 3,313  | 4,010  |
|                    | <b>9,432</b>   | <b>9,717</b>                                     |

### (b) Other payables and accruals

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 12. SHARE OPTION SCHEME

On 19 December 2016, the original share option scheme (the “**Share Option Scheme**”) of the Company was approved and conditionally adopted by the Board and shareholders of the Company by way of written resolutions.

On 2 June 2021, the Company entered into a conditional share option deed (the “**Share Option Deed**”) with Mr. Lai Ningning (“**Mr. Lai**”, one of the executive directors of the Company); on 2 August 2021, all the conditions have been fulfilled, therefore the Share Option Deed was granted on the same day.

Details of the outstanding share options as at the end of the Reporting Period are as follows:

|  | As at<br>31 December<br>2022 | As at<br>30 June<br>2022 |
|--|------------------------------|--------------------------|
| Share options granted on 2 August 2021 | 100,000,000                  | 100,000,000              |
| Share options granted on 1 June 2022   | 2,000,000                    | 2,000,000                |
|  | <b>102,000,000</b>           | <b>102,000,000</b>       |

|  | As at 31 December 2022        |  | As at 30 June 2022            |  |
|--|-------------------------------|--|-------------------------------|--|
|  | Number<br>of share<br>options | Weighted<br>average<br>exercise<br>price<br>HK\$ | Number<br>of share<br>options | Weighted<br>average<br>exercise<br>price<br>HK\$ |
| Outstanding at the beginning of the period | 102,000,000                   | 0.35   | –                             | –  |
| Granted during the period                  | –                             | –  | 102,000,000                   | 0.35   |
| Lapsed during the period                   | –                             | –  | –                             | –  |
| Outstanding at the period end              | <b>102,000,000</b>            | <b>0.35</b>                                      | 102,000,000                   | 0.35   |
| Exercisable at the period end              |                               |  |                               |  |
| Granted on 2 August 2021                   | 70,000,000                    |  | 40,000,000                    |  |
| Granted on 1 June 2022                     | 2,000,000                     |  | 2,000,000                     |  |
|  | <b>72,000,000</b>             |  | <b>42,000,000</b>             |  |

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## Share Option Deed

On 2 June 2021, the Company entered into the Share Option Deed with 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 for the Share Option Deed to manage the Share Option Deed in order to save administrative costs.

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

| Name of category of participant | Date of grant | Vesting period                 | Exercise period                | Outstanding on 1 July 2022 | Granted during the Reporting Period | Exercised during the Reporting Period | Lapsed during the Reporting Period | Outstanding on 31 December 2022 |
|---------------------------------|---------------|--------------------------------|--------------------------------|----------------------------|-------------------------------------|---------------------------------------|------------------------------------|---------------------------------|
| Mr. Lai                         | 2 August 2021 | N/A                            | 2 August 2021 to 1 August 2025 | 40,000,000                 | -                                   | -                                     | -                                  | 40,000,000                      |
|                                 |               | 2 August 2021 to 1 August 2022 | 2 August 2022 to 1 August 2025 | 30,000,000                 | -                                   | -                                     | -                                  | 30,000,000                      |
|                                 |               | 2 August 2021 to 1 August 2023 | 2 August 2023 to 1 August 2025 | 30,000,000                 | -                                   | -                                     | -                                  | 30,000,000                      |
|                                 |               |                                |                                | 100,000,000                | -                                   | -                                     | -                                  | 100,000,000                     |
| Exercisable at the period end   |               |                                |                                |                            |                                     |                                       |                                    | 70,000,000                      |

The remaining contractual life of the outstanding share options at the period end was 2.59 years and the exercise price was HK\$0.35.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 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<br>HK\$ per share option | The closing price of the Company's shares quoted on the Stock Exchange at the date of grant<br>HK\$ per share | Exercise Price<br>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 years       | 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 period ended 31 December 2022, the fair value of the share option granted by the Group amounted to approximately HK\$24,356,000 (equivalent to RMB20,215,000) as at 2 August 2021. During the Reporting Period, an equity-settled share-based payment expense of approximately RMB2.2 million was recognised by the Group (July-December 2021: approximately RMB11.8 million, and as at 30 June 2022, an equity-settled share-based payment expense of approximately RMB16.4 million was recognised by the Group).

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## SHARE OPTION SCHEME

On 1 June 2022, the Company granted options to Mr. Li Saint Chi Sainti (“**Mr. Li**”, one of the independent non-executive directors of the Company) at a consideration of HK\$1.00, exercisable during the option period, resulting in Mr. Li having the right to require the Company to allot and issue up to 2,000,000 subscription shares at the subscription price in accordance with and subject to the terms set out in the Share Option Scheme.

The grant of such options has been reviewed and approved by the Board (including all the independent non-executive Directors (other than Mr. Li) pursuant to Rule 23.04(1) of the GEM Listing Rules). As the grant of such options will not result in the number of Shares which may be issued upon exercise of all the options in any 12-month period up to and including the date of grant exceeding 0.1% of the Shares in issue, the grant to Mr. Li is not subject to approval by the shareholders in general meeting.

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

| Name of category of participant | Date of grant | Vesting period | Exercise period            | Outstanding on 1 July 2022 | Granted during the Reporting Period | Exercised during the Reporting Period | Lapsed during the Reporting Period | Outstanding on 31 December 2022 |
|---------------------------------|---------------|----------------|----------------------------|----------------------------|-------------------------------------|---------------------------------------|------------------------------------|---------------------------------|
| Mr. Li                          | 1 June 2021   | N/A            | 1 June 2022 to 31 May 2026 | 2,000,000                  | -                                   | -                                     | -                                  | 2,000,000                       |
| Exercisable at the period end   |               |                |                            |                            |                                     |                                       |                                    | 2,000,000                       |

The remaining contractual life of the outstanding share options at the period end was 3.42 years and the exercise price was HK\$0.22.

For the period ended 31 December 2022, the fair value of the Group’s share options granted on 1 June 2022 was approximately HK\$239,000 (equivalent to RMB198,000). As the Group has fully recognised an expense of approximately RMB198,000 for equity-settled share-based payment in June 2022. Accordingly, the Group is not required to recognise further equity-settled share-based payment expenses as mentioned above during the Reporting Period.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

## 13. CONVERTIBLE BONDS

On 15 January 2020, the Company issued zero coupon convertible bonds with a principal amount of HK\$12,400,000 for the acquisition of Polyqueue Limited. The convertible bonds will mature in four years from the issue date at their principal amount or can be converted into ordinary shares of the Company at the holder's option at initial conversion price HK\$0.24 per conversion share.

On 6 August 2021, the Company issued convertible loan notes with a nominal value of US\$8,000,000 at an interest rate of 4%. The notes are convertible at the option of the noteholders into fully paid ordinary shares with a par value of HK\$0.01 each of the Company on or after 6 August 2021 up to and including 6 February 2024 at an initial conversion price of HK\$0.5 per share. Any outstanding convertible notes will be redeemed at maturity at 122% of their principal amount.

The convertible bonds recognised in the consolidated statement of financial position are as follows:

|  | As at<br>31 December<br>2022<br>RMB'000 | As at<br>30 June<br>2022<br>RMB'000 |
|--|---|-------------------------------------|
| As at the beginning of the period/year           | 64,835                                  | 7,041                               |
| Increase during the period/year:                 |   |                                     |
| Fair value of the convertible bonds              | –                                       | 65,710                              |
| Less: transaction costs                          | –                                       | (1,815)                             |
| Less: Amount classified as equity                | –                                       | (14,880)                            |
| Liability component on initial recognition       | –                                       | 49,015                              |
| Interest expense                                 | 4,767                                   | 7,833                               |
| Interest paid                                    | (1,108)                                 | (1,035)                             |
| Exchange realignment                             | 2,307                                   | 1,981                               |
| Liability component as at the end of period/year | 70,801                                  | 64,835                              |

The effective interest rates for the interest expense on convertible bonds by applying the liability component and being calculated using the effective interest method were 13.84% to 14.50%. The principal amount of the convertible bonds as at 31 December 2022 was approximately RMB66,153,000 (30 June 2022: RMB63,858,000).

# 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. In June 2021, the Group commenced to carry out buildout management service business.

### Manufacture and sale of furniture products business

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## Data centre business

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Buildout management service business

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

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

## Prospects

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB70.8 million, representing a decrease of approximately RMB4.0 million or approximately 5.4% as compared to the same period last year. Of which:

**Manufacture and sale of furniture products segment:** during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB26.9 million, representing a decrease of approximately RMB5.2 million or approximately 16.3% as compared to the same period last year, which was mainly attributable to the facts that:

- (i) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing (including the Chongqing Branch Office) decreased by approximately RMB4.7 million or approximately 15.1% as compared to the corresponding period of last year. During the Reporting Period, the revenue of Sichuan Province increased by approximately RMB0.67 million or approximately 2.9% as compared with the corresponding period of last year; the revenue of the Tibet Autonomous Region increased by approximately RMB0.73 million or 76.7% as compared with the corresponding period of last year, which was benefited by a large customer in the region who achieved a revenue of approximately RMB0.79 million during the Reporting Period, and the sales base in the corresponding period of last year was relatively small; the revenue of Chongqing City decreased by approximately RMB4.9 million or approximately 77.6% as compared to the corresponding period of last year, which was mainly attributable to the fact that there were 4 large customers with over RMB500,000 in total revenue of approximately RMB3.3 million in the corresponding period of last year, while the number of customers of this category was relatively small during the Reporting Period. In addition, a financial customer achieved revenue of approximately RMB1.4 million in the corresponding period of last year, but that customer did not realise revenue during the Reporting Period; the revenue of Guizhou Province decreased by approximately RMB1.2 million or approximately 86.4% as compared with the corresponding period of last year; the sales data of Yunnan Province were relatively small in both years, which did not constitute a significant impact. The above-mentioned decline in revenue in Chongqing City and Guizhou Province is the main reason for the year-on-year decline in revenue in the five southwestern provinces and regions.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; (iv) production or operation overheads such as depreciation, amortisation of intangible assets, utilities bills, maintenance fee and rent; and (v) cost of buildout management service. The Group's cost of sales for the Reporting Period was approximately RMB65.5 million, representing a decrease of approximately RMB7.3 million or approximately 10.1% as compared to the same period last year. Of which:

**Manufacture and sale of furniture products segment:** cost of sales for the Reporting Period was approximately RMB25.8 million, representing a decrease of approximately RMB5.5 million or approximately 17.7% as compared to the same period last year. The provision for loss of inventories during the Reporting Period decreased by approximately RMB0.7 million as compared to the same period last year, which facilitated the decrease in material cost of sales and the recovery of gross profit margin. Based on the composition analysis of cost of sales, of which: (i) the cost of raw materials used and products purchased decreased by approximately RMB5.8 million; (ii) wages of production staff increased by approximately RMB0.35 million, mainly due to the increase in the proportion of self-made products and the increase of temporary overtime wages to ensure on-time delivery for customer orders; and (iii) other production expenses slightly decreased by approximately RMB0.05 million as compared to last year.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## Gross profit

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## Other income, net

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Selling and distribution expenses**

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative and other expenses

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance Costs

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

## Income Tax Expense

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group financed its operations by internally generated cash flow and net proceeds from the placing of convertible bonds under the general mandate. As at 31 December 2022, the Group had net current assets of approximately RMB58.5 million (30 June 2022: approximately RMB63.1 million) including bank balances and cash of approximately RMB32.2 million (30 June 2022: approximately RMB28.9 million). As at 31 December 2022, the Group did not have outstanding interest-bearing bank loan (30 June 2022: nil). As at 31 December 2022, the Group's current ratio (defined as the ratio of current assets to current liabilities) was approximately 2.7 (30 June 2022: approximately 1.9).

## CAPITAL STRUCTURE

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

## GEARING RATIO

As at 31 December 2022, the gearing ratio (defined as total debt divided by total equity. Total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) amounted to approximately 0.77 (30 June 2022: approximately 0.72).

## CONTINGENT LIABILITIES

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

## SIGNIFICANT INVESTMENTS HELD

As of 31 December 2022, the Company did not hold any significant investments (same period last year: nil).

## FOREIGN EXCHANGE EXPOSURE

As the Group conducts its business transactions principally in RMB, the Group's exposure to foreign currency fluctuations is minimal. The Group was not a party to any foreign exchange hedging instrument as at 31 December 2022. However, the Group will review and monitor from time to time the risk relating to foreign exchange.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

## EVENTS AFTER THE REPORTING PERIOD

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

## INFORMATION ON EMPLOYEES

As at 31 December 2022, the Group engaged a total of 195 employees (31 December 2021: 197) including the Directors. For the six months ended 31 December 2022, total staff costs amounted to approximately RMB7.35 million (same period of 2021: approximately RMB6.52 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

## PLEDGE OF ASSETS

The Company entered into an agreement with 東莞市耀邦集團有限公司 (Dongguan Yaobang Group Company Limited, "**Yaobang Group**") on 25 January 2022, whereby the Company will provide a parcel of land and buildings located at Chengdu City as a pledge for a term of 36 months, to assist Yaobang Group in securing financing from the bank(s). At the extraordinary general meeting held on 12 April 2022 held by the Company, it was resolved to approve, confirm and ratify the above agreement. For details of the agreement, please refer to the announcement dated 25 January 2022 and the circular dated 25 March 2022 of the Company.

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## DISCLOSURE OF INTERESTS

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

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance), or (ii) to be entered into the register required to be kept therein, pursuant to Section 352 of the Securities and Futures Ordinance, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

| Name of Director                   | Capacity/<br>Nature of interest                  | Number of<br>ordinary<br>shares held/<br>interested | Approximate<br>percentage of<br>the Company's<br>issued share<br>capital (Note 5) |
|------------------------------------|--|---|---|
| Mr. Ma Gary Ming Fai<br>("Mr. Ma") | Interest in a controlled<br>corporation (Note 1) | 245,300,400<br>(Long position)                      | 27.04%  |
| Mr. Yi Cong<br>("Mr. Yi")          | Interest of spouse<br>(Note 2)                   | 116,580,000<br>(Long position)                      | 12.85%  |
| Mr. Lai                            | Beneficial owner<br>(Note 3)                     | 100,000,000<br>(Long position)                      | 11.02%  |
| Mr. Li                             | Beneficial owner<br>(Note 4)                     | 2,000,000<br>(Long position)                        | 0.2204%   |

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Limited for the purpose of Part XV of the Securities and Futures Ordinance.
2. Mr. Yi is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi is deemed to be interested in the shares held by Ms. Zhang Gui Hong for the purpose of Part XV of the Securities and Futures Ordinance.
3. After Mr. Lai fully exercised the share options, his shareholding represents 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. For details, please refer to Note 12 to the financial statements.
4. After Mr. Li fully exercised the share options, his shareholding represents 0.2204% of the existing issued share capital of the Company and approximately 0.2199% of the Company's issued share capital enlarged by the issuance of subscription shares. For details, please refer to Note 12 to the financial statements.
5. Based on the total number of 907,333,333 ordinary shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and/or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the Securities and Futures Ordinance, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2022, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance and the GEM Listing Rules.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Securities and Futures Ordinance.
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 Securities and Futures Ordinance.
3. Pursuant to the Placing Agreement (Note 13 to the financial statements), the Company conditionally allotted the convertible bonds to Even Joy such that the placee may convert up to 46,800,000 shares of the Company at the conversion price. Upon conversion in full, his 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. Pursuant to Part XV of the Securities and Futures Ordinance, Mr. Hung is deemed to be interested in the shares held by Even Joy.
5. Pursuant to the Placing Agreement (Note 13 to the financial statements), the Company conditionally allotted the convertible bonds to Mr. Tsoi such that the placee may convert up to 46,800,000 shares of the Company at the conversion price. Upon conversion in full, his 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 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any person who had interests or short positions in the shares, underlying shares or debentures of the Company required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.



## OTHER INFORMATION

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, the Group did not have any future plans for material investments or capital assets.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

### SHARE OPTION SCHEME

Save as disclosed in Note 12 to the financial statements, as of 31 December 2022, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme by the Company.

### 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 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 are set out in the circular issued on 16 July 2021 by the Company.

## OTHER INFORMATION

Save as disclosed above, for the six months ended 31 December 2022, none of the Directors or substantial Shareholder or any of their respective associates (as defined under the GEM Listing Rules) has any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### 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 is principally engaged in the data centre business in the PRC and holds 100% interest in Gu'an Fu'ai through its subsidiary; and Gu'an Fu'ai has entered into the 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.

- (a) As at the end of the Reporting Period, the balances between the Group and the related companies are as follows:

|  | As at<br>31 December<br>2022<br>RMB'000 | As at<br>30 June<br>2022<br>RMB'000 |
|--|---|-------------------------------------|
| <b>Amounts due from related companies:</b> |   |                                     |
| Long-term loans receivable — SPV           | 50,000                                  | 50,000                              |
| Interest receivable — SPV                  | 3,000                                   | 1,490                               |
|  | <b>53,000</b>                           | <b>51,490</b>                       |

Mr. Lai, an executive director, has control over the related company.

## OTHER INFORMATION

- (b) During the Reporting Period and the corresponding period of last year, the Group entered into the following transactions with related parties:

|  | July –<br>December<br>2022<br>RMB'000 | July –<br>December<br>2021<br>RMB'000 |
|--|---------------------------------------|---------------------------------------|
| Interest income from SPV                               | 1,537                                 | 1,197                                 |
| Interest income from Gu'an Fu'ai                       | –                                     | 887                                   |
| Buildout management service income<br>from Gu'an Fu'ai | 31,738                                | 31,680                                |

Mr. Lai, an executive director, has control over the related company.

Save for the matters disclosed above, the Group did not enter into any connected transactions or continuing connected transactions that are not exempt under Rule 20.71 of the GEM Listing Rules during the Reporting Period.

### AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Li Saint Chi Sainti. Mr. Chan Wing Kit is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 31 December 2022. The Audit Committee is of the view that the unaudited consolidated results are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that the sufficient disclosure was made.

## OTHER INFORMATION

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the six months ended 31 December 2022 and up to the date of this report.

### CHANGE IN INFORMATION OF DIRECTORS

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

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

### CORPORATE GOVERNANCE PRACTICES

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

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

Hong Kong, 14 February 2023

*As at the date of this 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. Li Saint Chi Sainti.*