

ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370



2021

Fifth Quarterly Report

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

FINANCIAL RESULTS

The board of Directors of the Company (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the three months and the fifteen months ended 31 March 2022, together with the comparative unaudited figures for the three months and the fifteen months ended 31 March 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND FIFTEEN MONTHS ENDED 31 MARCH 2022

	Notes	For the three months ended 31 March		For the fifteen months ended 31 March	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 Restated (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	15,333	14,467	89,629	96,886
Cost of sales		(16,141)	(13,196)	(87,830)	(89,724)
Gross profit		(808)	1,271	1,799	7,162
Other income	6	7,902	361	13,413	4,169
Selling and distribution expenses		(2,037)	(1,712)	(9,995)	(10,387)
Administrative and other expenses		(5,920)	(3,658)	(35,822)	(26,247)
Impairment loss on trade and other receivables		(493)	(1,346)	(6,702)	(2,861)
Finance costs	7	(2,191)	(669)	(7,234)	(5,245)
Loss before income tax		(3,547)	(5,753)	(44,541)	(33,409)
Income tax credit	8	(448)	408	1,158	1,111
Loss for the period attributable to the owners of the Company		(3,995)	(5,345)	(43,383)	(32,298)
Other comprehensive income/(loss) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		206	(77)	1,141	(901)
Total comprehensive loss for the period attributable to the owners of the Company		(3,789)	(5,422)	(42,242)	(33,199)
Loss per share	10				
— Basic and diluted (RMB cents)		(0.44)	(0.59)	(4.78)	(3.57)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

	Share capital RMB'000	Share premium RMB'000	Convertible bond equity reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
As at 1 January 2020									
(Audited, restated)	7,100	163,826	-	-	(11,131)	4,158	(8,579)	13,003	168,377
Loss for the year	-	-	-	-	-	-	-	(32,298)	(32,298)
Other comprehensive income:									
Exchange difference on translating foreign operations	-	-	-	-	-	-	(901)	-	(901)
Total comprehensive expense for the period	-	-	-	-	-	-	(901)	(32,298)	(33,199)
Issue of consideration shares	916	23,370	-	-	-	-	-	-	24,286
Issue of convertible bonds	-	-	7,337	-	-	-	-	-	7,337
Transfer to statutory reserve	-	-	-	-	-	346	-	(346)	-
As at 31 March 2021									
(Unaudited)	8,016	187,196	7,337	-	(11,131)	4,504	(9,480)	(19,641)	166,801
As at 1 January 2021 (Audited)	8,016	187,196	7,337	-	(11,131)	4,498	(9,403)	(14,290)	172,223
Loss for the period	-	-	-	-	-	-	-	(43,383)	(43,383)
Other comprehensive income:									
Exchange difference on translating foreign operations	-	-	-	-	-	-	1,141	-	1,141
Total comprehensive expense for the period	-	-	-	-	-	-	1,141	(43,383)	(42,242)
Recognition of equity-settled share-based payment expense (Note 13)	-	-	-	14,095	-	-	-	-	14,095
Issue of convertible bonds (Note 14)	-	-	1,062	-	-	-	-	-	1,062
Transfer to statutory reserve	-	-	-	-	-	78	-	(78)	-
As at 31 March 2022									
(Unaudited)	8,016	187,196	8,399	14,095	(11,131)	4,576	(8,262)	(57,751)	145,138

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 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, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is at Room 747, 7/F, Star House, 3 Salisbury Road, Kowloon, Hong Kong and its headquarters is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the People's Republic of China (the "PRC").

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

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

2. CHANGE OF FINANCIAL YEAR END DATE

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

3. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the fifteen months ended 31 March 2022 and the comparable data from the previous year have been prepared in accordance with the Hong Kong Accounting Standard 34 ("HKAS34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

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

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

4. SEGMENT REPORTING

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

For the fifteen months ended 31 March 2022 (the "Reporting Period"), the Group has two reportable segments, which are manufacture and sale of furniture products and data centre business. The following summarises the operation of each reportable segment of the Group:

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

(a) Reportable segment revenue and results

	Manufacture and sale of furniture		Data Centre		Total	
	Fifteen months ended		Fifteen months ended		Fifteen months ended	
	31 March		31 March		31 March	
	2022	2021	2022	2021	2022	2021
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		Restated	Restated	Restated	Restated	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Sale of office furniture products	60,486	65,704	-	-	60,486	65,704
Information technology management service	-	-	2,652	1,309	2,652	1,309
Internet access connection service	-	-	619	674	619	674
Data centre operating and security service	-	-	1,547	2,981	1,547	2,981
Rental of server racks	-	-	24,325	26,218	24,325	26,218
	60,486	65,704	29,143	31,182	89,629	96,886
Segment results	(25,129)	(24,467)	1,002	(4,043)	(24,127)	(28,510)
Unallocated expenses*					(16,953)	(3,820)
Interest income					1,939	7
Property pledge agreement commitment fee income					413	-
Interest expense on convertible bonds					(5,813)	(1,086)
Loss before income tax					(44,541)	(33,409)

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

(b) Other segment information

	Manufacture and sale of furniture		Data Centre		Unallocated		Total	
	Fifteen months ended 31 March		Fifteen months ended 31 March		Fifteen months ended 31 March		Fifteen months ended 31 March	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Bank interest income	62	14	97	22	2	5	161	41
Interest income from other receivables	-	2,302	887	-	1,937	-	2,824	2,302
Interest income arising from unwinding contract assets with significant financing component	255	337	-	-	-	-	255	337
Interest expense on bank borrowings	66	1,696	-	-	-	-	66	1,696
Interest expense on lease liabilities	28	51	1,326	2,412	-	-	1,354	2,463
Interest expense on convertible bonds	-	-	-	-	5,814	1,086	5,814	1,086
Amortisation of intangible assets	-	-	7,008	6,775	-	-	7,008	6,775
Depreciation of right-of-use assets	909	920	15,817	17,337	-	-	16,726	18,257
Depreciation of property, plant and equipment	5,178	4,838	-	-	-	-	5,178	4,838
Loss on write-off and disposal of property, plant and equipment	47	2	-	-	-	-	47	2
Impairment loss on property, plant and equipment	-	822	-	-	-	-	-	822
Impairment loss on right-of-use assets	-	38	-	-	-	-	-	38
Impairment loss on trade and other receivables	6,702	2,821	-	40	-	-	6,702	2,861
Write-off of trade and other receivables	-	3,036	-	-	-	-	-	3,036
Addition to intangible assets through business combination	-	-	-	13,624	-	-	-	13,624
Addition to property, plant and equipment	3,096	55	-	-	-	-	3,096	55
Addition to right-of-use assets	-	865	-	-	-	-	-	865
Addition to right-of-use assets through business combination	-	-	-	36,343	-	-	-	36,343
Recognition of equity-settled share-based payment expense	-	-	-	-	14,016	-	14,016	-

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

(c) **Geographical information**

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

	Ended 31 March Three months		Ended 31 March Fifteen months	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from external customers				
The PRC	15,330	13,452	87,335	95,577
Hong Kong, the PRC	3	1,015	2,294	1,309
	15,333	14,467	89,629	96,886

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

(d) Information about major customer

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

	Ended 31 March Three months		Ended 31 March Fifteen months		For reporting segment
	2022	2021	2022	2021	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Customer A	N/A	1,907	N/A	9,985	Data Centre
Customer B	N/A	1,845	N/A	N/A	Manufacture and sale of furniture products
Customer C	N/A	1,717	N/A	N/A	Data Centre
Customer D	N/A	1,526	N/A	N/A	Manufacture and sale of furniture products
Customer E	2,788	N/A	N/A	N/A	Manufacture and sale of furniture products
Customer F	2,434	-	N/A	N/A	Manufacture and sale of furniture products

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

5. REVENUE

	Ended 31 March Three months 2022		Ended 31 March Fifteen months 2022	
	RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15				
Sale of furniture products	9,894	8,012	60,486	65,704
Information technology management service	361	1,015	2,652	1,309
Internet access connection service	82	100	619	674
Data centre operating and security service	309	356	1,547	2,981
	10,646	9,483	65,304	70,668
Revenue from other sources				
Rental of server racks	4,687	4,984	24,325	26,218
	15,333	14,467	89,629	96,886

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 March Three months 2022		Ended 31 March Fifteen months 2022	
	RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Timing of revenue recognition				
At a point in time	9,894	8,012	60,486	65,704
Over time	752	1,471	4,818	4,964
	10,646	9,483	65,304	70,668

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

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

	Ended 31 March Three months		Ended 31 March Fifteen months	
	2022	2021	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Sale of furniture products	9,894	8,012	60,486	65,704
Data centre business	5,439	6,455	29,143	31,182
	15,333	14,467	89,629	96,886

6. OTHER INCOME

	Ended 31 March Three months		Ended 31 March Fifteen months	
	2022	2021	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 Restated (Unaudited)	RMB'000 (Unaudited)
Interest income arising from unwinding contract assets with significant financing components	83	105	255	337
Bank interest income	72	18	161	41
Exchange gain, net	-	1	-	2
Interest income from other receivables	734	-	2,824	2,302
Dividend income from financial assets at fair value through profit or loss	235	188	828	583
Fair value changes on financial assets at fair value through profit or loss	-	-	52	-
Subsidy income	52	48	284	452
COVID-19-related rent concession	-	-	-	172
Net income from buildout management agreement service	6,313	-	8,596	-
Gain on lease termination	-	-	-	116
Property pledge agreement commitment fee income	413	-	413	-
Others	-	1	-	164
	7,902	361	13,413	4,169

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

7. FINANCE COSTS

	Ended 31 March Three months		Ended 31 March Fifteen months	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	–	66	66	1,696
Interest expense on lease liabilities	156	389	1,354	2,463
Interest expense on convertible bonds	2,035	214	5,814	1,086
	2,191	669	7,234	5,245

8. INCOME TAX CREDIT

	Ended 31 March Three months		Ended 31 March Fifteen months	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
— Tax for the period	858	–	892	1
Deferred tax				
— Current period	(410)	(408)	(2,050)	(1,112)
	448	(408)	(1,158)	(1,111)

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and is not subject to income tax in the Cayman Islands.

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

Provision for the enterprise income tax in the PRC is calculated on a statutory tax rate of 25% of the estimated assessable profit as determined in accordance with the relevant income tax law in the PRC. During the Reporting Period and the same period last year, certain subsidiaries provided for enterprise income tax, apart from those subsidiaries, the other subsidiaries of the PRC and Hong Kong enterprises recorded loss or derived profits which is not subject to enterprise income tax due to the compensation for the loss.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the fifteen months ended 31 March 2022 (same period last year: nil). No shareholder has agreed to waive dividends.

10. LOSS PER SHARE

The loss per share is calculated by dividing loss attributable to the owners of the Company by the weighted average number of 907,333,333 and 903,926,740 ordinary shares in issue for the fifteen months ended 31 March 2022 and same period last year.

	Ended 31 March Three months		Ended 31 March Fifteen months	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The loss used to calculate the basic loss per share	(3,995)	(5,345)	(43,383)	(32,298)
	'000 shares	'000 shares	'000 shares	'000 shares
Number of shares used to calculate the basic loss per share	907,333	907,333	907,333	903,927

Note: The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the fifteen months ended 31 March 2022 of approximately RMB43.383 million (same period last year: a loss of approximately RMB32.298 million), and on the weighted average number of 907,333,333 ordinary shares of the Company in issue (903,926,740 ordinary shares of the Company in issue for the same period last year).

In both corresponding periods, the convertible bonds and share options which remained outstanding have an anti-dilutive effect on the basic loss per share and, therefore, the diluted loss per share is the same as basic loss per share.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

11. SHARE OPTION SCHEME

The original 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 19 December 2016.

In addition, the Company confirmed to enter into a Share Option Deed on 2 August 2021 with Mr. Lai Ningning (“**Mr. Lai**”), who was appointed as an executive director of the Company on the same day, 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 within the option period.

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	Exercise Price	Outstanding at 1 January 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding at 31 March 2022
Mr. Lai (Director)	2 August 2021	HK\$0.35	N/A	100,000,000	-	-	100,000,000

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

(a) **Fair value of Share Option Deed and assumptions**

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

Date of grant	Fair value at the date of grant HK\$ per share option	The closing price of the Company's shares quoted on the Stock Exchange at the date of grant HK\$ per option	Exercise Price HK\$ per option	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 were incorporated into such measurement.

For the fifteen months ended 31 March 2022, the fair value of the Share Option Deed granted by the Group amounted to approximately RMB20.3 million (same period last year: N/A). During the Reporting Period, an equity settled share-based payment expense of approximately RMB14.0 million (same period last year: N/A) was recognised by the Group.

For the fifteen months ended 31 March 2022, no options were exercised and all options were exercisable.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

12. ISSUE OF CONVERTIBLE BONDS

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

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

	As at 31 March 2022 RMB'000 (Unaudited)	As at 31 March 2021 RMB'000 (Audited)
At the beginning of the period	7,041	–
Increase during the period:		
Nominal value/non-cash consideration from issue of the convertible bonds	51,870	13,885
Less: transaction costs	(1,777)	–
Less: amount classified as equity	(1,062)	(7,337)
Liability component on initial recognition	49,031	6,548
Interest expense (non-current)	4,501	1,086
Interest expense (current)	299	–
Exchange realignment	(1,839)	(371)
Liability component at the end of the period	59,033	7,263

The effective interest rates for the interest expense on convertible bonds issued during the Reporting Period and last year by applying the liability component and being calculated using the effective interest method were 14.86% and 13.84% respectively. Of which, the interest payable of approximately RMB300,000 accrued during the Reporting Period and due on 6 August 2022 was stated in the line item of current liabilities of the balance sheet.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of furniture products and sells its products to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province; the Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited ("**Sichuan Greenland**"), in Chengdu City and a branch office, Chongqing Branch Office ("**Chongqing Branch Office**") of Sichuan Greenland, in Chongqing City.

In addition, the Group started to engage in data centre business in the PRC and Hong Kong from 2020. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties.

Manufacture and sale of furniture products business

For the fifteen months ended 31 March 2022, the Group's sales revenue from manufacture and sale of furniture products segment decreased by approximately 7.9% as compared to the same period last year. Although the performance in the fourth quarter of 2021 has improved, particularly the results of Sichuan Province has shown significant improvement, the COVID-19 pandemic has been rampant in various parts of China since January 2022 and local governments have taken a number of containment measures to control the epidemic in a timely manner, which caused an inevitable negative impact on the economy. This has exceeded our previous expectations and the furniture industry is facing further reshuffle as there is a slowdown in the commercial real estate investment. As the majority of deliveries during the same period last year were for sales orders placed prior to the previous year's epidemic and there were more substantial sales orders, it was less affected by the novel coronavirus epidemic. During the Reporting Period, as the majority of potential customers were cautious in purchasing or postponing the replacement of furniture products, resulting in fewer new sales orders being signed, thus affecting product deliveries and revenue during the Reporting Period. At the same time, the Group continued to compete for more furniture orders at lower product prices to maintain effective operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre business

During the Reporting Period, the Group's revenue from the data centre segment decreased by approximately 6.5% as compared to the same period last year. Although the current revenue from the data centre segment is mainly the rental income from server rack rentals, the business is relatively stable, due to the pessimistic sentiment of the two-year-long COVID-19 pandemic, some customers' leases were not renewed upon expiry and new customers were unable to make up for revenue lost from the existing customers. It is now actively sourcing new customers, with each business being progressed steadily. In addition, the Group's subsidiary (Beijing Wannuotong Technology Company Limited, hereinafter referred to as "WNT") entered into the Buildout Management Agreement with a cooperating party on mid-2021 to commence engineering and management service as construction manager for buildout construction works and started to recognise the profit of the relevant business according to the progress of the buildout management project. In addition, one-off legal and professional fees of approximately RMB2.6 million incurred from the signing of the agreement significantly affected the results performance of the data centre segment during the Reporting Period. During the Reporting Period, apart from the amortisation expense of intangible assets of approximately RMB7.0 million, data centre segment has contributed approximately RMB29.1 million to the Group's revenue (approximately RMB31.2 million for the same period last year) and approximately RMB7.9 million to the Group's profit before income tax (approximately RMB2.7 million for the same period last year).

During the Reporting Period, the Group recorded a revenue of approximately RMB89.6 million, representing a decrease of approximately RMB7.3 million or approximately 7.5% as compared to the same period last year. During the Reporting Period, the Group recorded a loss of approximately RMB43.4 million, as compared with the loss of approximately RMB32.3 million recorded by the Group for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in loss was mainly because: during the Reporting Period, manufacture and sale of furniture products segment recorded a revenue of approximately RMB60.5 million, representing a decrease of approximately RMB5.2 million or approximately 7.9% as compared to the same period last year, and the gross profit margin was under further pressure as the Group continued to compete for more furniture orders at lower product prices to maintain effective operations during the Reporting Period, combining to result in the decrease of gross profit by approximately RMB2.3 million as compared to the same period last year. Excluding the data centre segment, the Group's business position was as follows: (1) other income decreased by approximately RMB0.4 million as compared to the same period last year; and (2) administrative and other expenses increased by approximately RMB10.8 million as compared to the same period last year, mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB14.0 million as the Company granted the Share Option Deed; (ii) a significant increase in the Group's provision for ECLs as compared to the same period last year; (iii) other expenses such as product R&D expenses and employee welfare expenses decreased as compared to the same period last year, which has partially offset the increase in administrative expenses; (3) an increase in finance costs of approximately RMB3.1 million as compared to the same period last year; and (4) a decrease in selling and distribution expenses of approximately RMB0.4 million as compared to the same period last year. Contribution from the data centre segment to the Group's profit before income tax increased by approximately RMB5.0 million as compared to the same period last year, offsetting the increase in part of the Group's loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Looking forward, the Group remains confident in improving the current operations of the furniture segment and implementing the following business plans at the appropriate time:

1. For Sichuan Province and Chongqing City in the PRC, the Group will establish a staff incentive mechanism by linking the incentives of the sales team to the gross profit margin of the relevant tenders in order to ensure a reasonable profit margin and maintain market share in these markets.
2. For Yunnan Province, Guizhou Province and Tibet Region, the Group will strengthen its internal approval mechanism to ensure that resources are effectively utilized in operations and in line with the Group's strategy, aiming to increase market share and gross profit in these markets in the coming years.
3. The Group's sales team will be rewarded for expanding its customer base in specific industries.
4. Product briefing sessions will be held in the showrooms of the Group's Sichuan Headquarters and Chongqing Branch Office to attract direct orders from retail customers.
5. The Group will continue to conduct product technology research and development to improve product design and develop furniture in order to attract new customers as well as retain long-term customers.
6. The Group will improve the design of the Company's website to showcase its products and explore the possibility of online sales to attract non-tendering customers.

The Group is still confident to leverage its strengths to further consolidate the Southwest China market, and expand beyond the Southwest China market when the conditions are appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

For the data centre segment:

On 1 June 2021, WNT entered into the Buildout Management Agreement with a cooperating party, allowing the Group to further develop its data centre business networks in the PRC with new income sources and more business opportunities over the forthcoming years. The related experience and expertise shall form part of the Group's track record and the Group has a positive outlook on the profit contribution from buildout management project as it progresses.

On 2 August 2021, the Company (as lender) entered into a loan agreement with Mega Data Investment Limited ("**SPV**", as borrower) for an aggregate amount of up to RMB100,000,000. The Board considers that the loan agreement provides the Group with a business opportunity for stable interest income.

On 25 January 2022, the Company entered into an agreement with 東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd.*) ("**Yaobang Group**"), pursuant to which the Company will provide a parcel of land and buildings located at Chengdu City, Sichuan Province, the PRC as property pledge to assist Yaobang Group in obtaining financing from the bank(s) of up to a maximum of RMB60,000,000. Pursuant to the Agreement, Yaobang Group shall grant an exclusive management right to the Group to manage the data centre(s) to be owned or controlled by Yaobang Group and/or its associates and Yaobang Group shall also grant an exclusive right to the Group as its agent to procure the sale and/or lease of the relevant data centre rack(s) to customers.

We will continue to actively seek and explore further development opportunities and we firmly believe that our move into the data centre business will enable the Group to maximise its corporate value for the benefit of our shareholders.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB89.6 million, representing a decrease of approximately RMB7.3million or approximately 7.5% as compared to the same period last year. Of which:

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacture and sale of furniture products segment: during the Reporting Period, the Group achieved a revenue from sales of furniture products of approximately RMB60.5 million, representing a decrease of approximately RMB5.2 million or approximately 7.9% as compared to the same period last year, which was mainly attributable to the facts that:

- (i) Revenue from Guangdong Province decreased by approximately RMB4.8 million or 97.6% as compared to the same period last year, mainly due to the realisation of revenue of approximately RMB4.8 million from a newly contracted financial institution customer during the same period last year, as most of the orders from this customer were delivered and revenue was realised before the Reporting Period, resulting in the realisation of revenue of only approximately RMB0.12 million from this customer during the Reporting Period; each of Beijing and Zhejiang Province increased revenue by approximately RMB0.9 million during the Reporting Period, which compensated to a certain extent for the decrease in revenue from manufacture and sale of furniture products segment;
- (ii) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing increased by approximately RMB3.6 million or 7.2% as compared to the same period last year. During the Reporting Period, revenue from Sichuan Province increased by approximately RMB5.7 million or 14.4% as compared to the same period last year, but the revenue of the other four provinces and regions in Southwest China experienced a year-on-year decline, among which, revenue from Chongqing City, Guizhou Province, Yunnan Province and Tibet Region decreased by 0.8%, 48.9%, 70.8% and 15.9% respectively as compared to the same period last year. The revenue growth of Sichuan Province was mainly attributable to the Company's adaptation to local conditions and its focus on local cultivation in Sichuan and achieved the results. During the Reporting Period, five new major customers in Sichuan Province realised a total revenue of approximately RMB16.0 million. Due to the large sales base in Sichuan Province, the amount of revenue growth slightly exceeded the sales decline in the other four provinces and regions and achieved a year-on-year growth; and
- (iii) Revenue from Chongqing Branch Office was approximately RMB4.3 million during the Reporting Period, representing a decrease of approximately RMB5.7 million or 56.8% as compared to the same period last year. Due to very weak sales demand and fierce competition, in order to increase the competitiveness and success rate of tendering, some large tender projects in the region were changed to participate in the tender in the name of Sichuan Greenland, which objectively resulted in a relatively lower revenue for the branch office. However, considering the change of this strategy at the group level will help improve the overall efficiency of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: data centre segment realised a revenue of approximately RMB29.1 million during the Reporting Period, representing a decrease of approximately RMB2.1 million or approximately 6.5% as compared to the same period last year. In order to more reasonably reflect the data centre business, the income and cost of buildout management agreement service in this report were separated from “revenue” and “cost of sales” and presented in “net income from buildout management agreement service” under “other income” on the basis of its net income and cost, therefore, the revenue of the data centre only reflects the revenue of the existing business. Due to the impact of COVID-19 pandemic, some customers’ leases were not renewed upon expiry and new customers were unable to make up for revenue lost from the existing customers, both of which were the main reasons for the slight decrease in revenue of the data centre segment.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of products purchased; (iii) labour costs; and (iv) production or operation overheads such as depreciation, amortisation of intangible assets, utilities bills, maintenance fee and rent. The Group’s cost of sales for the Reporting Period was approximately RMB87.8 million, representing a decrease of approximately RMB1.9 million or 2.1% over that of approximately RMB89.7 million for the same period last year. Of which:

Manufacture and sale of furniture products segment: cost of sales for the Reporting Period was approximately RMB57.8 million, representing a decrease of approximately RMB2.9 million or 4.8% as compared to the same period last year. Decrease in cost of sales was driven by the decrease in sales, but the decrease in cost of sales was less than the decrease in revenue, resulting in a larger decrease in gross profit margin. Based on the composition analysis of cost of sales, of which: (i) the cost of raw materials used and products purchased decreased by approximately RMB3.9 million (the direct write-off of inventory disposal loss was approximately RMB3.5 million for the same period last year, and the decrease in cost of sales was offset by the increase in the provision for loss of inventories during the Reporting Period by approximately RMB3.2 million as compared to the same period last year); and due to the increase in the proportion of sales of self-made products during the reporting period, resulting in: (ii) wages of production staff increased by approximately RMB0.5 million; and (iii) other production expenses increased by approximately RMB0.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: cost of sales for the Reporting Period was approximately RMB30.1 million, representing an increase of approximately RMB1.0 million or 3.5%, mainly due to the amortisation of the “intangible assets arising from the acquisition of the data centre” of approximately RMB7.0 million recorded as cost of sales, representing an increase of approximately RMB0.23 million as compared to the same period last year, followed by an increase in wages and other overhead costs. As mentioned above, the cost of sales of the data centre for the Reporting Period will no longer include the cost of buildout management agreement service.

Gross profit

Gross profit decreased to approximately RMB1.8 million for the Reporting Period from approximately RMB7.2 million for the same period last year. Of which:

Manufacture and sale of furniture products segment: gross profit for the Reporting Period decreased by approximately RMB2.3 million or 45.9% as compared to the same period last year. The gross profit margin of furniture products decreased from approximately 7.6% for the same period last year to approximately 4.5% for the Reporting Period. The decrease in gross profit margin was mainly attributable to: the decrease in cost of sales as a result of decrease in sales while the decrease in cost of sales was less than the decrease in revenue, resulting in a greater decrease in gross margin. As a result of the weakening of overall demand, intensified market competition and the impact of the COVID-19 pandemic, customers have become more cautious in purchasing or replacing furniture. The Group continues to compete for more orders at lower product prices in order to maintain effective operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Data centre segment: gross profit for the Reporting Period decreased by approximately RMB3.1 million or 142.3% as compared to the same period last year. The decrease in gross profit margin from approximately 6.9% for the same period last year to approximately -3.1% for the Reporting Period was mainly attributable to the fact that: (i) the amortisation of the “intangible assets arising from the acquisition of the data centre” of approximately RMB7.0 million was recorded as cost of sales in accordance with the auditors’ opinion, representing an increase of approximately RMB0.23 million as compared to the same period last year; and (ii) the gross profit for the Reporting Period decreased as a result of a decrease in revenue of approximately RMB2.0 million as compared to the same period last year, as well as an increase in wages and other overhead costs.

Other income

During the Reporting Period, the Group’s other income amounted to approximately RMB13.4 million, representing an increase of approximately RMB9.2 million or 221.7% as compared to that of approximately RMB4.2 million for the same period last year, which was mainly attributable to the fact that: (i) as mentioned above, other income for the Reporting Period increased by approximately RMB8.6 million as a result of the inclusion of income and cost of buildout management agreement service in “other income” on a net credit basis; (ii) interest income from other receivables decreased by approximately RMB0.5 million as compared to the same period last year, The interest of the Reporting Period mainly represents the increase in interest arising from the loan of RMB50.0 million from the Company to SPV; (iii) the Company received a commitment fee income of approximately RMB0.4 million from entering into a property pledge agreement with the Yaobang Group; and (iv) the dividend income from financial assets at fair value through profit or loss increased by approximately RMB0.2 million as compared to the same period last year. In addition, the increase in other income was offset by various decreases in ancillary income, COVID-19-related rental concessions and gains from termination of leases.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB10.0 million, representing a decrease of approximately 3.8% from approximately RMB10.4 million for the same period last year. Of which: the data centre segment did not incur any selling expenses during the Reporting Period. The decrease in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to the installation and handling fees, loading and unloading expenses and travel expenses incurred for the same period last year were higher since the Company tried to deliver customer orders as schedule under the impact of COVID-19 pandemic, while the above expenses for the Reporting Period decreased by approximately 1.5 million accordingly. In addition, the decrease in selling expenses was offset by an increase in the amortisation of renovation expenses of approximately RMB0.8 million for the Reporting Period as compared to the same period last year.

Administrative and other expenses

During the Reporting Period, the Group's administrative and other expenses amounted to approximately RMB42.5 million, representing an increase of approximately RMB13.4 million or 46.1% from approximately RMB29.1 million for the same period last year. Of which: administrative and other expenses of the data centre segment amounted to approximately RMB6.7 million, representing an increase of approximately RMB2.6 million or 64.2% as compared to the same period last year. The increase was mainly attributable to one-off legal and professional fees of approximately RMB2.6 million incurred during the Reporting Period in relation to the Buildout Management Agreement and the SPV Loan Agreement. Excluding the administrative expenses incurred from the data centre segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB35.9 million, representing an increase of approximately RMB10.8 million or 43.2% as compared to the same period last year. The increase was mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB14.0 million during the Reporting Period the Company granted the Share Option Deed; (ii) the increase in the Group's provision for ECLs of approximately RMB3.8 million as compared to the same period last year; (iii) the actual write-off of bad debt losses of approximately RMB3.0 million during the same period last year, whereas there was no such amount during the Reporting Period; and (iv) the decrease in other expenses such as product research and development expenses and welfare expenses of approximately RMB2.3 million and RMB1.0 million respectively during the Reporting Period as compared to the same period last year. The increase in administrative expenses was partially offset by (iii) and (iv) above.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

During the Reporting Period, the Group's finance costs amounted to approximately RMB7.2 million, while the finance costs were approximately RMB5.2 million for the same period last year, representing a year-on-year increase of approximately RMB2.0 million or 37.9%. The increase in the Group's finance costs was mainly attributable to: (i) the increase in interest expense arising from the issuance of convertible bonds by the Group of approximately RMB4.7 million as compared to the same period last year, mainly attributable to the completion of the placing of convertible bonds with an aggregate principal amount of US\$8 million on 6 August 2021, which incurred imputed interest expense of approximately RMB4.6 million as of the end of the Reporting Period; (ii) the adoption of the new HKFRS 16 on leases by the Group, in which lease commitments were recognised as liabilities and amortised as interest expense during the lease term, and interest expense from lease liabilities incurred during the Reporting Period decreased by approximately RMB1.1 million as compared to the same period last year; and (iii) the repayment of the liquidity loan obtained from China CITIC Bank on 4 January 2021, the interest expense incurred thereon decreased by approximately RMB1.6 million as compared to the same period last year, with (ii) and (iii) above offsetting the increase in finance costs.

Income tax credit

During the Reporting Period, the Group's income tax credit amounted to approximately RMB1.2 million, while the income tax credit was approximately RMB1.1 million for the same period last year. The income tax credit of the Group was due to: (i) the fact that during the Reporting Period, except for the individual subsidiaries of data centre segment for which corporate income tax was provided, the Group's remaining subsidiaries were loss-making for the corresponding reporting periods, while some of the subsidiaries recorded a profit which was not subject to income tax due to the compensation for the loss of the previous years; and (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.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

The Group had repaid the working capital loan of RMB30.0 million (loan term: one year) obtained from China CITIC Bank on 4 January 2021. The above loan was secured by the land use rights and property of the production facilities in Chengdu City and the pledged security for the above loan was released simultaneously from the day of repayment.

The Company and Yaobang Group entered into an agreement on 25 January 2022, whereby the Company will provide a parcel of land and buildings located at Chengdu City as property pledge to assist Yaobang Group in obtaining financing from the bank(s). As at the date of this report, the financing arrangement between Yaobang Group and the bank(s) have yet to be finalized. For details of the agreement, please refer to the announcement of the Company dated 25 January 2022 and the circular dated 25 March 2022.

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

EVENTS AFTER THE REPORTING PERIOD

The Company held an extraordinary general meeting on 12 April 2022 to approve, confirm and ratify the agreement entered into between the Company and Yaobang Group on 25 January 2022 in relation to, among other things, the Company procuring the pledge of a parcel of land and buildings located at Chengdu City to assist Yaobang Group to obtain financing from bank(s) up to a maximum of RMB60,000,000. The ordinary resolution was duly passed by the shareholders by way of poll at the extraordinary general meeting. Details have been set out in the announcement of the Company on 25 January 2022, the circular on 25 March 2022, and the announcement of the poll results of the extraordinary general meeting on 12 April 2022.

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

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

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 all the shares which Ms. Zhang Gui Hong is interested for the purpose of Part XV of the Securities and Futures Ordinance.
3. Pursuant to the Share Option Deed, the Company conditionally granted the share options to Mr. Lai, and Mr. Lai has the right to request the Company to allot and issue up to 100,000,000 subscription shares at the subscription price. After Mr. Lai fully exercised the share options, his shareholding 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. During the Reporting Period, Mr. Lai has not exercised any share option. (Note 11 to the financial statements)
4. Based on the total number of 907,333,333 ordinary shares in issue as at 31 March 2022.

Save as disclosed above, as at 31 March 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 March 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/ Nature of interest	Number of ordinary shares held/interested	Approximate percentage of the Company's issued share capital (Note 6)
Sun Universal Limited ("Sun Universal")	Beneficial Owner	245,300,400 (Long Position)	27.04%
Ms. Hung Fung King Margaret ("Ms. Hung")	Interest of spouse (Note 1)	245,300,400 (Long Position)	27.04%
Brilliant Talent Global Limited	Beneficial Owner (Note 2)	116,580,000 (Long Position)	12.85%
Ms. Zhang Gui Hong ("Ms. Zhang")	Interest in a controlled corporation (Note 2)	116,580,000 (Long Position)	12.85%
Even Joy Holdings Limited ("Even Joy")	Beneficial Owner (Note 3)	46,800,000 (Long Position)	5.15%
Mr. Hung Kwong Yee ("Mr. Hung")	Interest in a controlled corporation (Note 4)	46,800,000 (Long Position)	5.15%
Mr. Tsoi Tak ("Mr. Tsoi")	Beneficial Owner (Note 5)	46,800,000 (Long Position)	5.15%

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 12 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 SFO, Mr. Hung is deemed to be interested in the shares held by Even Joy.
5. Pursuant to the Placing Agreement, 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 March 2022.

Save as disclosed above, as at 31 March 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

SHARE OPTION SCHEME

Save as disclosed in Note 11 to the financial statements, as of 31 March 2022, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

COMPETING INTERESTS

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

Mr. Lai, an executive Director, has executed a non-competition undertaking in favour of the Company that he shall not and 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.

Save as disclosed above, for the fifteen months ended 31 March 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.

OTHER INFORMATION

CONNECTED TRANSACTIONS

On 2 June 2021, a conditional loan agreement was entered into between the Company as lender and the SPV as borrower, pursuant to which, the Company shall advance the Loan in the aggregate sums of up to RMB100,000,000 (in HK\$ equivalent) in two tranches to the borrower. The SPV is a special purpose vehicle for the purpose of the formation of the JV. It is owned as to 50% by Lightning Cloud Limited, which in turn is wholly owned by Mr. Lai, an executive Director of the Company. The JV is principally engaged in the data centre business in the PRC and holds 100% interest in a JV project company through its subsidiary; and the JV project company 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.

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

- (1) entering into the above SPV Loan Agreement; and
- (2) entering into the Share Option Deed (Note 11 to the financial statements)

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

During the Reporting Period, the Company used the proceeds from the placing of convertible bonds (Note 12 to the financial statements) and its own fundings to advance the first tranche of the Loan amounting to RMB50.0 million to the SPV; the relevant interest has been provided and charged according to the agreement.

OTHER INFORMATION

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the fifteen months ended 31 March 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.

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 fifteen months ended 31 March 2022 and up to the date of this report.

CHANGE IN INFORMATION OF DIRECTORS

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

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

OTHER INFORMATION

Saved for the aforesaid changes, for the fifteen months ended 31 March 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, 13 May 2022

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