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

ANNUAL REPORT 2021/22

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

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

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CORPORATE INFORMATION

REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3/F, 222 Tianren Road
Gaoxin District
Chengdu City
Sichuan Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 747, 7/F, Star House
3 Salisbury Road, Kowloon, Hong Kong

EXECUTIVE DIRECTORS

Mr. Yi Cong *(Chief Executive Officer)*
Mr. Liang Xing Jun
Mr. Ma Gary Ming Fai (appointed on 1 April 2021) *(Compliance Officer)*
Mr. Lai Ningning (appointed on 2 August 2021)

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit
Ms. Cao Shao Mu
Mr. Kwok Sui Hung (resigned on 1 June 2022)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

COMPLIANCE OFFICER

Mr. Yi Cong (resigned on 1 April 2021)
Mr. Ma Gary Ming Fai (appointed on 1 April 2021)

COMPANY SECRETARY

Ms. Leung Yuk Yi (HKICPA)

AUDIT COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung (resigned on 1 June 2022)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

REMUNERATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung (resigned on 1 June 2022)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

NOMINATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung (resigned on 1 June 2022)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

AUDITOR

BDO Limited (resigned on 15 June 2022)
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

ZHONGHUI ANDA CPA Limited
(appointed on 15 June 2022)
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CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Mr. Yi Cong
Ms. Leung Yuk Yi

PRINCIPAL BANKERS

China Citic Bank
China Minsheng Bank
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
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P.O. Box 1350
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

COMPANY'S WEBSITE ADDRESS

www.qtbgjj.com

STOCK CODE

8370

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "**Board**"), I am pleased to present the annual report and the audited consolidated financial statements of the Group for the eighteen months ended 30 June 2022 (the "**Reporting Period**").

Pursuant to the resolution of the Board of the Company approved on 17 November 2021, the financial year end date of the Company has been changed from 31 December to 30 June. Therefore, the annual report (including the audited consolidated financial statements of the Group) of this Reporting Period covers the eighteen months from 1 January 2021 to 30 June 2022.

During the Reporting Period, in the face of the relentless outbreak of the COVID-19 pandemic around the world, 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. In recent years, as the office building industry, which is closely related to the office furniture industry, has suffered severe downturn, the area of land that is invested and commences construction have continued to decline. In 2021, the sales of office buildings in the PRC recorded a year-on-year decrease of 6.9% and the area of office buildings which newly commenced construction (10,000 square meters) decreased by 20.9% as compared with the same period last year. The rising vacancy rate of office buildings greatly dampened the outlook for the office furniture industry. In the past few years, the Company had relied heavily on financial customers for sales. However, since financial institutions has transferred most of their business online, their financial outlets have been reduced in order to curb costs, which has resulted in greater pressure on the business prospects of the Company.

In respect of data centre business, some existing customers terminated their leases ahead of schedule or reduced their business due to the continuous outbreak of the COVID-19 pandemic. Meanwhile, the number of new customers also decreased, failing to make up for the shortfall in revenue from existing customers. 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. Apart from maintaining the existing business, the Company actively developed new business to further improve the profitability of its data centre business.

In mid-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 the Buildout Management Agreement with Gu'an Fu'ai Electronics Co. Ltd. ("**Gu'an Fu'ai**"), 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. As the project progressed, the Group is optimistic about the outlook of the profit contribution associated with the buildout management project. In addition, the Company (as lender), entered into a loan agreement with Mega Data Investment Limited ("**SPV**") in relation to a loan of up to RMB100,000,000, which provided stable interest income for the Company.

CHIEF EXECUTIVE OFFICER'S STATEMENT

At the beginning of 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 pledges of its properties for a term of 36 months to assist Yaobang Group in obtaining financing from the bank(s) of up to RMB60,000,000 to acquire, invest and/or develop its data centre business in the PRC. Pursuant to the agreement, Yaobang Group shall pay an annual fee of 1% of the valuation of the properties to the Company. Moreover, the Company was granted the exclusive management right contract and the sales contract of the above data centre, which are expected to bring new sources of revenue and increase profitability of the Company.

Looking forward, the Group remains confident in its efforts for improving the current operating conditions of the furniture segment. As the market share of Sichuan Province and Chongqing City has significantly improved, the Group will then revise its staff incentive mechanism to ensure reasonable profit margin and maintain the market share in these places. In respect of Yunnan Province, Guizhou Province and Tibet Region, the Group will strengthen its internal approval mechanism to ensure that the use of resources in its operation is effective and in line with its overall strategy, with an aim to increase its market share and gross profit in these regions in the coming years. The sales team of the Group will actively expand the customer base of the Company and acquire more customers from hotel, school or real estate sectors through various channels. In addition, the Group will also consider investing in billboard advertisements and car-body advertisements in key market development regions to expand the brand influence of the Company. Continuous efforts will also be made to increase research and development for better product design and furniture item development so as to attract new customers and retain existing customers. The Group will carry out product introduction events at its showroom in a timely manner to encourage direct orders from retail customers. The website design of the Company will also be improved to showcase products and explore online sales potential to solicit non-bidding customers.

In respect of data centre segment, the Company has been exploring opportunities for the expansion of the business scope of the Group. The experience and expertise related to the above buildout project 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.

The Company will grasp the strategic opportunity arising from the development of data centers by the Chinese government in an effort to consolidate its strengthens and capability, take its business scale to a higher level and increase its market share. As part of its efforts to enhance its competitiveness, the Company will also create favourable conditions for the early establishment of data centres with its own property rights.

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.

CHIEF EXECUTIVE OFFICER'S STATEMENT

ACKNOWLEDGEMENTS

We foresee that the office furniture market will become more competitive in the future, which will put pressure on the profit margins. In the face of the challenging operating environment, the Group will go to great lengths to take measures for the reduction of operating expenses in order to remain competitive. The Group expects to regain its advantages in the business sector once the economy recovers. In addition, we will continue to identify and explore more development opportunities. We strongly believe that entering the data center business will allow the Group to maximise its corporate value and will be beneficial to the shareholders.

On behalf of the Board, I would like to express my heartfelt gratitude to the Group's valuable customers, business partners and shareholders for their continued support and trust. I would also like to take this opportunity to thank our fellow colleagues of the Board, the senior management team and all our staff for their unremitting efforts, team spirit and contributions to the Group.

Yours faithfully
Yi Cong
Chief Executive Officer

Hong Kong, 27 September 2022

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, WNT, a subsidiary of the Group, entered into a management agreement with Gu'an Fu'ai 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 RMB76.8 million, representing an increase of approximately RMB19.1 million or approximately 33.1% as compared to the year ended 31 December 2020 (the "**same period last year**"), and a decrease of approximately 11.3% as compared to the same period last year in terms of average monthly sales revenue. The performance in the fourth quarter of 2021 showed improvement with significant growth of the results in Sichuan Province. However, due to the prolonged novel coronavirus epidemic in various areas of China since January 2022, local governments have implemented multiple quarantine and pandemic control measures to control the epidemic in a timely manner, causing inevitable negative impact on the economy. The impact on the furniture industry 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 epidemic and there were more substantial sales orders, it was less affected by the novel coronavirus epidemic. During the Reporting Period, the majority of potential customers were cautious in purchasing or postponed 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 and focused on consolidating the markets in the southwestern regions including Sichuan Province and Chongqing City. The Group also put efforts in coordinating the supply chain relationship between customers and suppliers in order to ensure on time delivery of customers' orders. In addition, the Company further enhanced the research and development of technologies and continued to optimise product designs so as to attract new customers and retain long-term customers.

Data centre business

During the Reporting Period, the Group achieved a revenue from the existing business of the data centre segment of approximately RMB34.9 million, representing an increase of approximately RMB10.2 million or approximately 41.4% as compared to the same period last year, and a decrease of approximately 5.7% as compared to the same period last year in terms of average monthly revenue. Although the current revenue from the data centre segment is mainly the rental income from server rack rentals, the business is relatively stable. However, due to the pessimistic sentiment of the COVID-19 pandemic that has lasted for more than 2 years, 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. During the Reporting Period, excluding the goodwill impairment of approximately RMB5.6 million and the amortisation expense of intangible assets of approximately RMB8.3 million, the existing business of the data centre segment has contributed approximately RMB34.9 million to the Group's revenue (approximately RMB24.7 million for the same period last year) and approximately RMB1.4 million to the Group's profit before income tax (approximately RMB1.7 million for the same period last year).

Buildout management service business

WNT, a subsidiary of the Group, entered into the Buildout Management Agreement with Gu'an Fu'ai in June 2021 to provide 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. During the Reporting Period, the Group recognised a revenue from the buildout management service, cost of the buildout management service and gross profit of approximately RMB60.8 million, RMB55.2 million and RMB5.6 million, respectively. During the Reporting Period, excluding one-off legal and professional fees of approximately RMB2.2 million incurred from the signing of the agreement, the buildout management service business has contributed approximately RMB3.4 million (same period last year: no such business) to the Group's profit before income tax.

During the Reporting Period, the Group recorded a revenue of approximately RMB172.5 million, representing an increase of approximately RMB90.1 million or approximately 109.3% as compared to the same period last year. During the Reporting Period, the Group recorded a loss of approximately RMB73.7 million, as compared with the loss of approximately RMB27.0 million recorded by the Group for the same period last year. For details on the increase 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.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB172.5 million, representing an increase of approximately RMB90.1 million or approximately 109.3% as compared to the same period last year. It was mainly attributable to the revenue generated from the buildout management service segment of approximately RMB60.8 million recognised during the Reporting Period. In addition, the Reporting Period covered 18 months, which was six months longer than the previous accounting year. Excluding such revenue generated from the buildout management service and calculating in terms of average monthly revenue of both reporting periods, the revenue of the existing business of the Reporting Period decreased by approximately 9.6% 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 RMB76.8 million, representing an increase of approximately RMB19.1 million or approximately 33.1% as compared to the same period last year, and a decrease of approximately 11.3% as compared to the same period last year in terms of average monthly sales revenue, which was mainly attributable to the facts that:

(i) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing increased by approximately RMB24.5 million or 54.6% as compared to the same period last year. During the Reporting Period, sales revenue from Sichuan Province increased by approximately RMB23.0 million or 66.6%, and increased by approximately 11.0% as compared to the same period last year in terms of average monthly sales revenue, while the sales revenue from Chongqing City increased by approximately RMB3.1 million or 50.6%, and increased by approximately 0.4% as compared to the same period last year in terms of average monthly sales revenue. Yet, all three other provinces and regions in Southwest China experienced revenue declines as compared to the same period last year. Revenue from Guizhou Province, Yunnan Province and Tibet Region decreased by 39.1%, 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 realisation of total revenue of approximately RMB37.1 million from the 13 new major customers. Due to the large sales base in Sichuan Province, the amount of revenue growth exceeded the sales decline in the other three provinces and regions and achieved a year-on-year growth. In terms of average monthly sales revenue, revenue from the five southwestern provinces and regions increased by approximately 3.1% as compared to the same period last year;

(ii) Revenue from Guangdong Province decreased by approximately RMB4.7 million or 97.6% as compared to the same period last year, mainly due to the realisation of revenue of only approximately RMB0.12 million during the Reporting Period from a newly contracted financial institution customer as compared to approximately RMB4.8 million last year, as most of the orders from this customer were delivered and revenue was realised before the Reporting Period. Revenue from Beijing and Zhejiang Province increased by approximately RMB0.86 million and RMB0.94 million respectively during the Reporting Period, which compensated to a certain extent for the decrease in revenue from manufacture and sale of furniture products segment; and

(iii) Revenue from Chongqing Branch Office was approximately RMB5.2 million during the Reporting Period, representing a decrease of approximately RMB2.4 million or 31.6% as compared to the same period last year. Due to very weak sales demand and fierce competition, some large-scale tender and bidding projects in Chongqing are participated in the name of Sichuan Greenland to enhance the competitiveness and successful rate, resulting in rapid decline of revenue from this branch office. Nonetheless, from the perspective of the Group, such strategy change is inductive to boost the overall efficiency of the Company.

Data centre segment: the existing business of the data centre segment realised a revenue of approximately RMB34.9 million during the Reporting Period, representing an increase of approximately RMB10.2 million or approximately 41.4% as compared to the same period last year. Calculating in terms of average monthly revenue, the revenue of the Reporting Period decreased by approximately 5.7% as compared to the same period last year. Due to the impact of novel coronavirus epidemic, 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.

Buildout management service segment: the Group recognised the revenue generated from the buildout management services of approximately RMB60.8 million during the Reporting Period, which was the main contributor to the growth of the Group's revenue.

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 the buildout management services. The Group's cost of sales for the Reporting Period was approximately RMB162.8 million, representing an increase of approximately RMB86.3 million or 112.7% 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 RMB71.0 million, representing an increase of approximately RMB17.6 million or 33.1% as compared to the same period last year. Given that the Reporting Period covered 18 months, the cost of sales increased along with the increase in sales. As the increase in cost of sales was in line with that of the revenue from furniture, the gross profit margin of both years remained basically stable. Based on the composition analysis of cost of sales: (i) the cost of raw materials used and products purchased increased by approximately RMB13.3 million or approximately 28.3% (during the Reporting Period, the provision for loss of inventories increased by approximately RMB3.7 million as compared to the same period last year, while the direct write-off of inventory disposal loss decreased by approximately RMB3.1 million as compared to the same period last year, combinedly resulted in the increase in net sales cost of approximately RMB0.6 million); (ii) wages of production staff increased by approximately RMB2.9 million, representing an increase of 87.3%; and (iii) other production expenses increased by approximately RMB1.4 million, representing an increase of 47.3%. The increase in the proportion of sales of self-made products during the Reporting Period has resulted in a higher increase in labour cost and other production expenses than the cost of raw materials used and products purchased.

Data centre segment: cost of sales of the existing business for the Reporting Period was approximately RMB36.6 million, representing an increase of approximately RMB13.4 million or 58.1% as compared to the same period last year. Since the Reporting Period covered 18 months, the costs of sales increased in line with the increase in sales. The increase was also due to the inclusion of amortisation of the intangible assets arising from the acquisition of the data centre of approximately RMB8.3 million in cost of sales, representing an increase of approximately RMB2.9 million or 53.6% as compared to the same period last year, as well as the increase in wages and other overhead costs, resulting in a higher increase in cost of sales than the increase in revenue, thus leading to a greater decrease in gross profit margin.

Buildout management service segment: the Group recognised the cost of the buildout management services of approximately RMB55.2 million during the Reporting Period, which was the main contributor to the growth of the Group's cost.

Gross profit

Gross profit increased to approximately RMB9.7 million for the Reporting Period from approximately RMB5.9 million for the same period last year. Of which:

Manufacture and sale of furniture products segment: gross profit for the Reporting Period increased by approximately RMB1.4 million or 33.2% as compared to the same period last year. The gross profit margin of furniture products slightly increased to approximately 7.6% for the Reporting Period, which remained stable as compared to approximately 7.5% in the same period last year. 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 adhered to its operation strategies last year and continued to compete for more orders at lower product prices in order to maintain effective operations. As the market shares in Sichuan Province and Chongqing City have improved significantly, an employee incentive system will be adopted to link the incentives for sales teams with the gross profit margin of relevant bidding projects, so as to facilitate gradual recovery of gross profit margin.

Data centre segment: gross profit of the existing business for the Reporting Period decreased by approximately RMB3.1 million or 210.5% as compared to the same period last year. The decrease in gross profit margin from approximately 6.2% for the same period last year to approximately -4.9% 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 RMB8.3 million was recorded as cost of sales, representing an increase of approximately RMB2.9 million as compared to the same period last year; and (ii) the increase in wages and other overhead costs was greater than the increase in revenue, resulting in a significant year-on-year decrease in the gross profit and gross profit margin of the existing business during the Reporting Period. As the intangible assets arising from the acquisition of the data centre has been fully amortised, gross profit margin for the next reporting period will improve significantly.

Buildout management service segment: the Group recognised the gross profit of the buildout management services of approximately RMB5.6 million during the Reporting Period, which was the main contributor to the growth of the Group's gross profit.

Other income, net

During the Reporting Period, the Group's other income, net amounted to approximately RMB6.1 million, representing an increase of approximately RMB2.3 million or 59.9% as compared to the same period last year, which was mainly attributable to the fact that: (i) interests of loans of RMB50.0 million granted by the Company to SPV during the Reporting Period increased by approximately RMB2.7 million; and (ii) interest income from other receivables and interest income from bank increased as compared to the same period last year, while ancillary income, COVID-19-related rental concessions and gains from termination of leases decreased significantly, which offset the increase in other income.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB11.9 million, representing an increase of approximately RMB3.2 million or 37.0% as compared to the same period last year. Of which: the data centre segment and buildout management service segment did not incur any selling expenses during the Reporting Period and last year. The increase in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to the fact that the period covered by the Reporting Period was six months longer than the same period last year. In terms of monthly average selling and distribution expenses, the selling and distribution expenses of the manufacture and sale of furniture products segment for the Reporting Period decreased by approximately 8.7% as compared to the same period last year. This was mainly due to the fact that the monthly average installation and delivery fees, loading and unloading expenses and travel expenses incurred for the same period last year were higher since the Group tried to deliver customer orders as scheduled under the impact of COVID-19 pandemic, while the above expenses for the Reporting Period decreased. The stringent control of daily selling cost by the Group has also shown satisfactory results. In addition, the decrease in monthly average selling expenses was offset by an increase in the monthly average amortisation of renovation expenses of showroom 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 (including impairment loss on assets) amounted to approximately RMB69.7 million, representing an increase of approximately 189.2% as compared to the same period last year. Of which: administrative and other expenses of the data centre segment and buildout management service segment amounted to approximately RMB13.2 million, representing an increase of approximately RMB9.9 million or 296.0% as compared to the same period last year. The increases were mainly attributable to: (i) the recognition of expenses of goodwill impairment of approximately RMB5.6 million during the Reporting Period; (ii) one-off legal and professional fees of approximately RMB2.2 million incurred during the Reporting Period in relation to the Buildout Management Agreement and the SPV loan agreement. Excluding the above factors, on a monthly average basis, other administrative expenses increased by approximately 6.6% for the Reporting Period as compared to the same period last year, mainly due to the increase in expenses including provision for loss allowance and wage costs. 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 RMB56.5 million, representing an increase of approximately RMB35.8 million or 172.1% as compared to the same period last year. The increases were mainly attributable to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB16.5 million during the Reporting Period as the Company granted the share option deed; (ii) the share-based payment expenses of approximately RMB13.8 million incurred from the issuance of convertible bonds by the Company during the Reporting Period; (iii) the increase in the provision for ECLs of trade and other receivables and prepayments of approximately RMB5.5 million as compared to the same period last year; (iv) 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. Excluding the above factors, on a monthly average basis, other administrative expenses for the Reporting Period decreased by approximately 21.3% as compared to the same period last year, mainly due to the decreases in product research and development expenses, entertainment expenses and welfare expenses during the Reporting Period, as well as the Group's stringent control of daily administrative expenses.

Finance Costs

The Group incurred finance costs of approximately RMB9.4 million for the Reporting Period (same period last year: approximately RMB4.6 million), representing a year-on-year increase of approximately RMB4.8 million or 105.2%, mainly due to: (i) the increase in interest expense arising from the issuance of convertible bonds by the Company of approximately RMB7.0 million as compared to the same period last year, mainly attributable to the imputed interest expense of approximately RMB6.3 million as of the end of the Reporting Period incurred from the placing of convertible bonds with an aggregate principal amount of US$8 million, while the increase in interest of other convertible bonds was mainly because the period covered by Reporting Period was six months longer than the same period last year; (ii) the adoption of the HKFRS 16, which recognizes lease commitments as liabilities and amortizes them as interest expense over the lease term, and the decrease in interest expense on lease liabilities incurred during the Reporting Period of approximately RMB0.6 million as compared to the same period last year; and (iii) the repayment of working capital loan obtained from CITIC Bank on 4 January 2021 and the decrease in interest expense incurred therefrom of approximately RMB1.6 million as compared to the same period last year. The increase in finance costs was partially offset by (ii) and (iii) above.

Income Tax Credit

The Group's income tax credit for the Reporting Period was approximately RMB1.4 million (same period last year: approximately RMB0.7 million). 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 date centre segment and the fair value adjustment of assets caused by the acquisition of subsidiaries in previous years.

Loss for the Year Attributable to Owners of the Company

Loss for the year attributable to owners of the Company for the Reporting Period was approximately RMB73.7 million (same period last year: loss of approximately RMB27.0 million). The substantial increase in loss was mainly attributable to: (1) the decrease in gross profit of approximately RMB1.8 million as a result of the significantly higher increase in cost of sales of 40.7% over the increase in revenue of the existing business of 35.6% for the Reporting Period as compared to the same period last year; (2) the increase in administrative and other expenses of approximately RMB45.6 million as compared to the same period last year, mainly due to: (i) the recognition of equity-settled share-based payment expenses of approximately RMB16.5 million as the Company granted the share option deed; (ii) the share-based payment expenses of approximately RMB13.8 million incurred from the issuance of convertible bonds by the Company; (iii) the recognition of expenses of goodwill impairment of approximately RMB5.6 million; (iv) the increase in the provision for ECLs of trade and other receivables and prepayments of approximately RMB5.5 million as compared to the same period last year; (v) one-off legal and professional fees of approximately RMB2.2 million incurred during the

Reporting Period in relation to the Buildout Management Agreement and the SPV loan agreement; and (vi) the increase in the proportion of recurring administrative expenses as the period covered by the Reporting Period was six months longer than the same period last year following the change of financial year end date to 30 June. Nonetheless, the increase in administrative expense was partially offset by the significant decreases in monthly average expenses including product research and development expense, entertainment expense and staff welfare expense as compared to last year; (3) the increase in selling and distribution expenses of approximately RMB3.2 million as compared to the same period last year, mainly due to the increase in the proportion of recurring selling and distribution expenses as the period covered by the Reporting Period was six months longer than the same period last year; on a monthly average basis, the selling and distribution expenses for the Reporting Period decreased by approximately 8.7% as compared to the same period last year; (4) the increase in finance cost of approximately RMB4.8 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 during the Reporting Period; (5) the increase in gross profit of approximately RMB5.6 million resulting from profits or losses in services provided in accordance with the Buildout Management Agreement recognised for the buildout management service segment during the Reporting Period; (6) the increase in other income, net of approximately RMB2.3 million as compared to the same period last year resulting from interests of loans of RMB50.0 million granted by the Company to SPV during the Reporting Period; and (7) the increase in income tax credit of approximately RMB0.7 million as compared to the same period last year. The loss recorded by the Group was offset by items (5), (6) and (7) above.

Contract assets, trade, lease and other receivables

Contract assets, trade, lease and other receivables of the Group for the Reporting Period amounted to approximately RMB92.1 million (same period last year: approximately RMB61.5 million). The increase was mainly attributable to: (i) the increase in contract assets of the buildout management service segment of approximately RMB28.3 million, which was mainly attributable to the unfulfillment of settlement conditions; (ii) the increases in trade and lease receivables, prepayments and other receivables of the data centre segment of approximately RMB6.2 million, RMB1.7 million and RMB3.8 million, respectively, mainly due to the deferred settlement of customers and advanced payments; (iii) the increase in other receivables of the Company of approximately RMB1.4 million; (iv) the decreases in contract assets and receivables, and prepayments of the manufacture and sale of furniture products segment of approximately RMB7.2 million and RMB10.1 million, respectively, mainly due to the provision for ECLs of the settlements from customers, receivables and prepayments, and the increase in other receivables of approximately RMB6.6 million, mainly due to the increase in purchase of wealth management products carrying fixed rates.

Contract Liabilities, Trade and Other Payables

Contract liabilities, trade and other payables of the Company for the Reporting Period amounted to approximately RMB64.2 million (same period last year: approximately RMB24.0 million). The increase was mainly attributable to: (i) the increase in contract liabilities of the buildout management service segment of approximately RMB31.1 million, which was mainly attributable to the unfulfillment of settlement conditions; (ii) the increase in trade and other payables of the data centre segment of approximately RMB7.7 million, as well as the increase in other payables of the manufacture and sale of furniture products segment.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE OR ISSUANCE OF CONVERTIBLE BONDS

(a) On 25 June 2019, pursuant to the terms and conditions of the placing agreements dated 6 June 2019 and 10 June 2019, the Company has placed a total of 134,000,000 ordinary shares to no less than six placees, who are independent third parties, at a price of HK$0.235 per share (the "**Placing of New Shares under General Mandate**") (equivalent to approximately 16.67% of the issued share capital of the Company as enlarged by the 2019 Placing of New Shares under General Mandate).

During the Reporting Period, the Group has used the above net proceeds from the Placing of New Shares under General Mandate for the following purposes:

	Use of proceeds in the same manner and proportion as stated in the announcement dated 25 June 2019 HK$ million	Actual use of proceeds as of 30 June 2022 HK$ million
Procurement of raw materials required for production	12.92	12.92
Increase in liquidity of the Group to provide customers with a longer credit period	7.07	7.07
Used as working capital of the Group to fulfill its obligations such as paying professional fees	10.77	10.77
	30.76	30.76

As at the date of this report, the above net proceeds from the Placing of New Shares under General Mandate have been fully utilized for the purposes as required.

(b) On 15 January 2020, pursuant to the sale and purchase agreement dated 21 October 2019, the Company acquired the entire issued share capital of the target company holding the data centre business from the sellers at a consideration of HK$37,200,000. Of which, HK$12,400,000 was paid by the Company to the sellers through the issuance of convertible bonds, which can be converted into conversion shares at an initial conversion price of HK$0.24 per share (subject to adjustment), and the maturity date was the fourth anniversary date of the issue of convertible bonds, i.e. 15 January 2024, or if such day is not a business day, the business day immediately following such day.

Assuming the above convertible bonds are fully exercised, the Company will allot and issue not more than 51,666,667 conversion shares. The consideration shares will represent approximately 12.85% of the then issued share capital of the Company, or approximately 11.39% of the issued share capital of the Company as enlarged by the allotment and issuance of the consideration shares.

For details of the agreement and the convertible bonds, please refer to the circular of the Company dated 13 December 2019.

As at the date of this report, the sellers have not converted the convertible bonds above.

(c) On 2 June 2021, the Company and the placing agent entered into a placing agreement to subscribe for convertible bonds with an aggregate principal amount of up to US$8,000,000 in cash at an issue price of 100% of the principal amount of such convertible bonds. The convertible bonds shall carry a coupon interest of 4% per annum, payable semi-annually. Unless previously redeemed, repurchased and cancelled or converted, any outstanding convertible bonds shall be redeemed at 122% of its principal amount on the Maturity Date. The "**Maturity Date**" shall be the date falling 30 months from the date of issue of the convertible bonds.

Based on the conversion price of HK$0.50 per conversion share, a maximum number of 124,800,000 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full, which represent approximately 13.75% of the then issued share capital of the Company, or approximately 12.09% of the issued share capital of the Company as to be enlarged by the allotment and issuance of the conversion shares to be allotted and issued upon the exercise of the conversion rights attached to the convertible bonds in full.

On 6 August 2021, the Company completed the placing of the above convertible bonds by allotting and issuing convertible bonds in the aggregate principal amount of US$8,000,000 to four placees. The maturity date of the convertible bonds is the date falling 30 months from the issue date, i.e. 6 February 2024.

The net proceeds from the placing of approximately HK$60.2 million have been used for the Group's commitments under the SPV Loan Agreement.

For details of such placing of convertible bonds, please refer to the circular of the Company dated 16 July 2021 and announcements of the Company dated 2 August 2021 and 6 August 2021.

As at the date of this report, the above convertible bonds have not been converted by the placees.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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 30 June 2022, the net current assets of the Group amounted to approximately RMB63.1 million (31 December 2020: approximately RMB72.8 million), including bank balances and cash of approximately RMB28.9 million (31 December 2020: approximately RMB64.6 million). As at 30 June 2022, the Group has no outstanding interest-bearing bank loans (31 December 2020: the Group has outstanding bank loans of RMB30.0 million). As at 30 June 2022, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.9 (31 December 2020: 2.1).

CAPITAL STRUCTURE

As at 30 June 2022, the Group's total equity attributable to owners of the Company amounted to approximately RMB127.9 million (31 December 2020: approximately RMB172.2 million). The Group's equity attributable to owners of the Company included share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's business transactions are mainly conducted in RMB, the exposure of the Group to foreign exchange fluctuations was not significant. As at 30 June 2022, the Group was not a party of any foreign currency hedging instruments. However, the Group will review and monitor foreign exchange exposure risks from time to time.

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

GEARING RATIO

The gearing ratio as at 30 June 2022 (defined as total debt divided by total equity, where total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) was approximately 0.72 (31 December 2020: approximately 0.42).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had no significant capital commitments.

PLEDGE OF ASSETS

On 4 January 2021, the Group settled the working capital loans from China Citic Bank in the amount of RMB30.0 million for the term of one year, which was secured by the pledge of the land use rights and property of the production facilities in Chengdu City. On the settlement date of the abovementioned loan, the pledged security was released simultaneously.

On 25 January 2022, the Company entered into an agreement with Yaobang Group, pursuant to which the Company provided a parcel of land and buildings located at Chengdu City as pledge for the term of 36 months to assist Yaobang Group in obtaining financing from the bank(s). On 12 April 2022, the Company held the extraordinary general meeting and resolved to approve, confirm and ratify the above agreement. For details of the agreement, please refer to the announcement and circular of the Company dated 25 January 2022 and 25 March 2022, respectively.

On 25 May 2022, Yaobang Group entered into a financing arrangement with the bank, and authorised its subsidiary to enter into an agreement with ICBC relating to working capital loans in an amount of RMB45.0 million with a term of 12 months from the date of withdrawal.

Other than that, the Group had no asset pledge agreement.

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 and capital assets.

CONTINGENT LIABILITIES

As at the date of this report, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group engaged a total of 198 employees (31 December 2020: 203) including the Directors. During the Reporting Period, total staff costs (including equity-settled share-based payment to Directors) amounted to approximately RMB38.3 million (2020: approximately RMB14.9 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations cover a broad range of environmental issues, including air pollution, noise emissions, discharge of sewage and waste residues.

The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources. The Group will continue to monitor the production process in order to ensure that it does not have significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable current local and national PRC regulations.

As at the date of this report, no major administrative sanction, penalty or punishment has been imposed upon the Group for the violation of any environmental laws or regulations.

The environment, social and governance report of the Group for the Reporting Period will be issued on the websites of the Stock Exchange and the Company (www.qtbgjj.com) on or before 30 September 2022.

EVENTS AFTER THE REPORTING PERIOD

The Group has no disclosable matters which are yet to be disclosed as of the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material disposals and acquisitions of subsidiaries and affiliated companies as of the date of this report.

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Group'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 20 January 2017 (the "**Listing Date**") to the date of this report, the Group has complied with the applicable code provisions ("**Code Provisions**") of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and oversees the management of the business and affairs of the Group. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

The day-to-day management, administration and operation of the Group are delegated to the executive Directors. The independent non-executive Directors are responsible for participating in Board meetings and to take the lead where potential conflicts of interest arise and for serving on the audit, remuneration, nomination and any other governance committees, if invited.

The Board is responsible for making decisions on all major aspects of the Group's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (especially those involving any conflict of interest), major capital expenditure, appointment of Directors and other significant financial and operational matters.

Board composition

Up to the date of this report, the Board comprised eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Yi Cong *(Chief Executive Officer)*
(appointed on 19 May 2016 and resigned as compliance officer on 1 April 2021)
Mr. Liang Xing Jun (appointed on 19 May 2016)
Mr. Ma Gary Ming Fai *(compliance officer)* (appointed on 1 April 2021)
Mr. Lai Ningning (appointed on 2 August 2021)

Non-executive Director

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Kwok Sui Hung (resigned on 1 June 2022)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

The details of Directors are set out in the section headed "Biographies of Board of Directors and Senior Management" on pages 50 to 53 of this report. The wife of Mr. Yi Cong is the sister of the wife of Mr. Liang Xing Jun. Other than that, there are no family or other material relationships among members of the Board.

The Group is governed by the Board which has the responsibility for leadership and monitoring of the Group. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholder value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

Number of Meetings and Directors' Attendance

The Board will conduct at least four regular meetings a year. At least a 14-day notice will be given to all Directors before convening any Board meeting. All related information will be submitted to the Directors at least three days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's amended and restated articles of association (the "**Articles**").

During the Reporting Period, the Group held six Board meetings, three audit committee (the "**Audit Committee**") meetings, one remuneration committee (the "**Remuneration Committee**") meeting and one nomination committee (the "**Nomination Committee**") meeting. All minutes of the Board meetings and meetings of Board committees recorded in sufficient detail the matters considered by the Board and the decisions reached. Details of the attendance of Directors are as follows:

	Attendance/Number of meetings				
Name of Directors	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Yi Cong	6/6	–	–	–	1/1
Mr. Liang Xing Jun	6/6	–	–	–	1/1
Mr. Ma Gary Ming Fai	5/5	–	–	–	1/1
Mr. Lai Ningning	4/4	–	–	–	–
Non-executive Director:					
Mr. Luo Guoqiang	6/6	–	–	–	1/1
Independent Non-executive Directors:					
Mr. Chan Wing Kit	5/6	3/3	1/1	1/1	1/1
Ms. Cao Shao Mu	4/6	3/3	1/1	1/1	1/1
Mr. Kwok Sui Hung	5/6	3/3	1/1	1/1	1/1
Mr. Li Saint Chi Sainti	–	–	–	–	–

The company secretary of the Company ("**Company Secretary**") attended all the scheduled Board meetings to report on matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice will be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest

Appointment and Re-election of Directors

The Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The non-executive Directors should be appointed for a specific term and subject to re-election. Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company. The appointment letter of each of the non-executive Director and independent non-executive Directors is for a term of three years commencing from the Listing Date, which would be renewed yearly when expired and may be terminated by not less than three months' notice in writing served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles. Details of the appointment letters are summarised in the Report of the Board of Directors on pages 34 to 35 of this report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Group recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations. Records of the training received by the respective Directors are kept and updated by the Company Secretary.

Independent non-executive Directors

Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung were appointed as the independent non-executive Directors with effect from 17 December 2016. With effect from 1 June 2022, (1) Mr. Kwok Sui Hung resigned as the independent non-executive Director; and (2) Mr. Li Saint Chi Sainti was appointed as the independent non-executive Director.

The Company has received from each of its independent non-executive Directors written confirmation of his/her independence. The Company considers the independent non-executive Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

Non-executive Directors

Mr. Luo Guoqiang was appointed as the non-executive Director with effect from 28 September 2018.

Mr. Yi Cong was appointed as the Chief Executive Officer and an executive Director of the Company on 19 May 2016 and, by the order of the Board, is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group.

BOARD COMMITTEE

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. With effect from 1 June 2022, (1) Mr. Kwok Sui Hung ceased to be the member of the Audit Committee; and (2) Mr. Li Saint Chi Sainti was appointed as the member of the Audit Committee. Mr. Chan Wing Kit is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Group's internal control and risk management system, overseeing the balance, transparency and integrity of the Group's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Group's accounting staff, their training programs and budget.

The Audit Committee has reviewed the Group's consolidated financial statements for the Reporting Period. 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. Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 21 in this report.

Remuneration Committee

The Remuneration Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. With effect from 1 June 2022, (1) Mr. Kwok Sui Hung ceased to be the member of the Remuneration Committee; and (2) Mr. Li Saint Chi Sainti was appointed as the member of the Remuneration Committee. Mr. Chan Wing Kit is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals, and ensure none of the Directors determine their own remuneration. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Remuneration Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 21 in this report.

Senior Management's remuneration

Remuneration of the senior management of the Group (excluding Directors) for the Reporting Period falls within the following band:

RMB	Number of individuals
Nil to RMB1,000,000	3

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 12 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Nomination Committee

The Nomination Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. With effect from 1 June 2022, (1) Mr. Kwok Sui Hung ceased to be the member of the Nomination Committee; and (2) Mr. Li Saint Chi Sainti was appointed as the member of the Nomination Committee. Mr. Chan Wing Kit is the chairman of the Nomination Committee.

The policy for the nomination of Directors, including the nomination procedure and process, are to invite nominations from Board members or Nomination Committee members. After undertaking adequate due diligence in respect of any such nominee, the Nomination Committee makes recommendations for the Board's consideration and approval. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee makes recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

The Nomination Committee considers the following criteria in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the relevant industry and other relevant sectors;

(c) commitment in respect of sufficient time, interests and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Reporting Period, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

On 15 June 2022, BDO Limited ("**BDO**") resigned as the auditor of the Company. The Board further announced that, with the recommendation from the Audit Committee, ZHONGHUI ANDA CPA Limited ("**Zhonghui**"), has been appointed as the new auditor of the Company with effect from 15 June 2022 (For details, please refer to an announcement of the Company dated 15 June 2022).

The reporting responsibilities of the Group's auditor, Zhonghui, are set out in the Independent Auditor's Report on pages 54 to 58 of this report.

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid or payable to the Group's auditor was as follows:

Services rendered	HK$'000
Annual audit service for the Reporting Period	720
Non-audit service for the Reporting Period	10
Total	730

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Group's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Group's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in this corporate governance report.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy in accordance with the requirement as set out in the CG Code, which is summarised as below:

The Board Diversity Policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the objectives of the Board Diversity Policy.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group 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 Group has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the Reporting Period and up to the date of this report.

COMMUNICATION WITH SHAREHOLDERS

The Group endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Group will ensure that there are separate resolutions for separate issues proposed at the general meetings. The Group will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

Significant Changes in the Constitutional Documents

During the Reporting Period, there has been no significant changes in the constitutional documents of the Group. The Articles are available on the websites of the Stock Exchange and the Company (www.qtbgjj.com).

General Meetings with Shareholders

The Group's annual general meeting will be held on 9 December 2022.

SHAREHOLDERS' RIGHTS

(a) Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Group carrying the right of voting at general meetings of the Group shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Group.

(b) Procedures for putting forward proposals at shareholders' meetings

Pursuant to the Articles, shareholders who wish to move a resolution may requisition the Company to convene an extraordinary general meeting following the procedures set out above.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Group in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate email of the Company (ir@qtbgjj.com) has provided an effective communication platform to the public and the shareholders.

COMPANY SECRETARY

The Company engages Ms. Leung Yuk Yi, the director of Merrytime Corporate Services Limited, which is an external service provider, as the Company Secretary. Her primary contact at the Company is Mr. Yi Cong, the Chief Executive Officer and Mr. Ma Gary Ming Fai, the Executive Director.

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

The Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Currently, the Group does not have an internal audit department. During the Reporting Period, through an external professional consultant ("**External Consultant**") and the Audit Committee, the Board had reviewed the design and implementation effectiveness of the Group's risk management and internal control system, covering all material control measures, including the financial, operational and compliance controls, to ensure that the Group's accounting, internal audit and financial reporting functions have adequate resources, staff qualifications and experience, training programmes and budget. In this regard, the Audit Committee would inform the Board of any significant matters.

During the Reporting Period, the External Consultant conducted a series of routine audits, surveys and interviews to assist in the identification and assessment of the Group's risks. In addition, specific internal control reviews are carried out to assess the effectiveness of the Group's risk management and internal control system.

The results of the specific review and assessment were reported to the Audit Committee and the Board. Moreover, proposed improvements in internal control and risk management measures as recommended by the external adviser to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the external adviser as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritised and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Principal Risks

During the Reporting Period, the following principal risks of the Group were identified and classified into strategic risks, operational risks and financial risks.

Risk Areas	Principal Risks
Strategic Risks	Shrinking of office furniture industry caused by recession in the office building industry combined with the spread of the epidemic, and customer concentration risk of the data center business and lack of competitive advantage;
Operational Risks	Risk of labor shortage and the process of execution of economic contracts to be improved;
Financial Risks	Security risk relating to accounts receivable and prepayments

Our Risk Control Mechanism

The Group adopts a "three lines of defense" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by external adviser. The Group maintains a risk register to keep track of all identified major risks of the Group, which is updated at least once annually by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The risk management activities of the Group are performed by management on an ongoing process. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

By the engagement of the external adviser, the Company will consistently review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of any individual. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of Stock Exchange and the Company in due course.

REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company are pleased to present their report and the audited consolidated financial statements of the Group for the Reporting Period.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of office furniture products. The products are sold to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province etc. 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 in Chengdu city and a branch office, Chongqing Branch Office in Chongqing city.

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC. 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.

For details of business review of the Group, please refer to the section headed "Management Discussion and Analysis" in this report, the discussion and information in which constitute part of this report of the board of the directors.

Key Performance Indicators

The Group's tender sales of furniture were approximately RMB51.9 million, which represented 76.2% of its sale volume of the furniture business for the Reporting Period, and approximately 33.9% of the total revenue of the year. The following table sets out the breakdown of submitted tenders to potential customers for the Reporting Period:

	During the Reporting Period
Number of tenders submitted	336
Value of total tenders submitted	RMB153.8 million
Number of tenders won	294
Success rate (by number of tenders submitted)	87.5%
Success rate (by value of tenders submitted)	54.0%

Future Developments and Prospects

Details of the future development of the business of the Group are set out in the section headed "Chief Executive Officer's Statement" of this report.

Principal Risks and Uncertainties

The Board believes major risk factors relevant to the Group have been disclosed in the section headed "Risk Factors" in the Prospectus. The analysis of other principal risks and uncertainties of the Group are summarized in the section headed "Principal Risks" of this report.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated with limited liability in the Cayman Islands on 4 March 2016.

The companies comprising the Group underwent a reorganisation ("**Reorganisation**") to rationalise the structure of the Group in preparation for the initial public offering of the shares at par value of HK$0.01 each of the Company on GEM. Pursuant to the Reorganisation, the Group became the holding company of the subsidiaries comprising the Group on 19 December 2016. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

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

PRINCIPAL ACTIVITIES

The principal activity of the Group is investment holding. The principal activities of the Group's subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Dividend Policy

In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account, inter alia:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions; and

(vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and the Articles. The dividend policy of the Company will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific period.

The financial performance of the Group for the Reporting Period and the financial position of the Group as at that date are set out in the financial statements on pages 59 to 129 of this report.

The Board has resolved not to recommend the declaration of any interim or final dividend during the eighteen months ended 30 June 2022 (2020: Nil). No shareholder has agreed to waive dividends.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years is set out on page 130 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

BANK BORROWING

As of 30 June 2022, the Group has no outstanding bank loans.

INTEREST CAPITALISED

The Group has not capitalised any interest during the Reporting Period.

SHARE CAPITAL

Details of movements in the share capital of the Group during the Reporting Period are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2022, the distributable reserves of the Company amounted to approximately RMB119.9 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on GEM of the Stock Exchange on 20 January 2017. During the period from the Listing Date to 30 June 2022, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have bought or sold any shares in the Company.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The Directors of the Group during the Reporting Period and up to the date of this report were:

Executive Directors:

Mr. Yi Cong (appointed on 19 May 2016)
Mr. Liang Xing Jun (appointed on 19 May 2016)
Mr. Ma Gary Ming Fai (appointed on 1 April 2021)
Mr. Lai Ningning (appointed on 2 August 2021)

Non-executive Director:

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors:

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Kwok Sui Hung (resigned on 1 June 2022)
Mr. Li Saint Chi Sainti (appointed on 1 June 2022)

Confirmation of Independence

Each independent non-executive Director has given the Group an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Group considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 50 to 53 of this report.

DIRECTORS' SERVICE CONTRACTS

(a) Executive Directors

Each of the executive Directors has entered into a service contract with the Group which became effective from the appointment date and shall continue unless terminated in accordance with the terms therein. Under the terms of each service contract, the service contract may be terminated by not less than six months' notice served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Group. Under the terms of the appointment letter, the appointment shall be for a term of three years commencing from the appointment date, and would be renewed yearly thereafter and may be terminated by not less than three months' notice served by either party on the other. The term of service of a Director is subject to the provisions on retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Group or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable within one year without payment of compensation other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors are recommended by the Remuneration Committee by reference to the benchmarks in the market. The Group also looks into each individual Director's competence, duties, responsibilities and performance. Details of the Directors' remuneration and the five highest paid individuals are set out in note 12 to the consolidated financial statements.

PERMITTED INDEMNITY

The Articles provides that the Directors shall be indemnified and made harmless out of the assets and profits of the Group from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of their own fraud or dishonesty.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

Save as disclosed, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the Reporting Period.

DISCLOSURE OF INTERESTS

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

As at 30 June 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 5)*
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 Ningning ("**Mr. Lai**")	Beneficial owner *(Note 3)*	100,000,000 (Long position)	11.02%
Mr. Li Saint Chi Sainti ("**Mr. Li**")	Beneficial owner *(Note 4)*	2,000,000 (Long position)	0.2204%

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 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 30 to the financial statements)

4. Pursuant to the Share Option Scheme, the Company granted the share options to Mr. Li, and Mr. Li has the right to request the Company to allot and issue up to 2,000,000 subscription shares at the subscription price. 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. During the Reporting Period, Mr. Li has not exercised any share option. (Note 30 to the financial statements)

5. Based on the total number of 907,333,333 ordinary shares in issue as at 30 June 2022.

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

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

As at 30 June 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%

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 30 June 2022.

Save as disclosed above, as at 30 June 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.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was approved and conditionally adopted by the Board and shareholders of the Company by way of written resolutions on 19 December 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

(b) Who may join

The Board may, at its absolute discretion, invite any person belonging to the following classes of participants, to take up options to subscribe for Shares:

(i) any eligible employee;

(ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity;

(iii) any supplier of goods or services to any member of the Group or any invested entity;

(iv) any customer of the Group or any invested entity;

(v) any person or entity that provides research, development or other technological support to the Group or any invested entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any invested entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; and

(viii) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of the Group,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust;

Subject to the Share Option Scheme and the GEM Listing Rules, the Board shall be entitled at any time and from time to time within the period of the Share Option Scheme to offer to grant to any participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of shares as the Board may determine at a price calculated in accordance with sub-paragraph (f) below.

(c) Total number of shares to be issued

(i) The total number of shares which may be issued upon exercise of all options (excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date (and subsequently, if refreshed, it must not exceed 10% of the issued share capital as at the date of such shareholders' approval of the refreshed limit).

(ii) The Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all options and any other share option schemes of the Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

(iii) The Company may also grant options beyond the 10% limit by seeking shareholders' approval in a general meeting, provided that the grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. In such event, the Company shall send a circular to its shareholders containing a generic description of the specified grantees who may be granted such options, the number and terms of such options to be granted, the purpose of granting such options, an explanation as to how the terms of the options serve such purpose and the information required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, the Company must not grant any options if the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, exceed 30% of the shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(d) Granting of option to a Director, chief executive of the Company or substantial shareholder or any of their associates

No Participant shall be granted options which if exercised in full would result in the total number of shares already issued under all the options granted to him which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue, provided that if approved by shareholders in general meeting with such participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, the Company may make further grant of options to such participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of shares already issued under all the options granted to such participant which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of shares in issue.

Where options are proposed to be granted to a Director, chief executive of the Company or substantial shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If a grant of options to a substantial shareholder or an independent non-executive Director or their respective associates will result in the shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5.0 million,

then the proposed grant of options must be approved by the shareholders in a general meeting. At such general meeting, the grantee, his associates and all core connected persons of the Company must abstain from voting, unless they intend to vote against the proposed grant and provided that this intention to do so has been stated in the circular. The Company will send a circular to its shareholders containing all the information required under the GEM Listing Rules, including (i) details of the number and terms of the options (including the option period, performance targets (if any), basis of determination of subscription price and the rights attached to the shares or the option) to be granted to each substantial shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the shareholders meeting, and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of the options) to the independent shareholders as to voting; and (iii) all other information as required by the GEM Listing Rules.

In addition, any change in the terms of the option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of the Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of the Company.

(e) Minimum period of holding option and performance target

Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(f) Basis for determining exercise price

The subscription price for the Shares subject to any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share.

For the purpose of determining the relevant subscription price where the shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the option, the issue price of the shares shall be deemed to be the closing price of the shares on the Listing Date for any trading day falling within the period before the shares are listed on the Stock Exchange.

(g) Time of acceptance and amount of payable upon acceptance of option

Upon acceptance of an offer for grant of option(s), the Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 21 days from the date of the grant.

(h) Period of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than ten years from the date upon which the option is deemed to be granted and accepted in accordance with the Share Option Scheme. The Board may, at its discretion, determine the minimum period for which the option has to be held before the option can be exercised.

On 30 May 2022, the Board (including all independent non-executive Directors of the Company) resolved to grant 2,000,000 share options to Mr. Li to subscribe for a total of 2,000,000 Shares under the Share Option Scheme, subject to acceptance of the grantee. The exercise price of the options granted is HK$0.22 per share. All of the options are exercisable during the period commencing from the grant date to the day immediately prior to the fourth anniversary of the grant date (both days inclusive). The grantee shall pay HK$1 upon acceptance of the options granted. The total of 2,000,000 shares to be subscribed under the options represent approximately 0.2204% of the existing issued share capital of the Company and approximately 0.2199% of the enlarged issued share capital of the Company, assuming the options are fully exercised. For details, please refer to the Company's announcement dated 1 June 2022.

During the Reporting Period, Mr. Li has not exercised any share option. Changes in share options of the Company during the Reporting Period are set out in Note 30 to the consolidated financial statements.

Save as disclosed in Note 30 to the financial statements, as at 30 June 2022, there was no other share option granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

SHARE OPTION DEED

On 2 June 2021, the Company entered into a share option deed, pursuant to which the options have been granted to Mr. Lai. Details are as follows:

(a) Reasons for the Share Option Deed

Since Mr. Lai will only receive nominal consideration under the service agreement in relation to his appointment as an executive Director of the Company, the Company considers that the share option deed shall provide incentive to Mr. Lai for discharging his duty as an executive Director.

(b) Who may join

The share option deed may only be exercisable by Mr. Lai himself. Unless otherwise with prior written consent of the Company, the options shall not be assignable or transferrable by Mr. Lai and may only be exercisable by Mr. Lai himself. Any transfer or assignment of the options made to any connected person of the Company (as defined under the GEM Listing Rules) shall be subject to compliance with the applicable GEM Listing Rules. Subject to the prior written consent of the Company (which may or may not be given at the absolute discretion of the Company), the Options may be assigned or transferred in whole or in part (in whole multiples of 10,000,000 options).

(c) Total number of shares to be issued

In accordance with and subject to the terms of the share option deed, the total number of shares to be issued shall not be more than 100,000,000 subscription shares.

Upon full exercise of the options, a total of 100,000,000 subscription shares will be issued, representing 11.02% of the existing issued share capital of the Company and approximately 9.93% of the issued share capital of the Company as enlarged by the issue of the subscription shares.

(d) Granting of option to a Director, chief executive of the Company or substantial shareholder or any of their associates

The grant of the share option deed has complied with Rule 23.04(1) of the GEM Listing Rules and has been approved by all non-executive independent Directors and approved at the extraordinary general meeting on 2 August 2021.

(e) Minimum period of holding option and performance target

There is no particular performance target or minimum period of holding option that must be achieved before the options can be exercised. There is no particular provision for termination of the operation of the share option deed before the end of its life save for that any options which would have not been exercised upon the expiry of the option period will be cancelled.

(f) Option period

The options to subscribe for 100,000,000 subscription shares under the share option deed shall be exercisable according to the following exercise period:

(1) 40,000,000 options are exercisable during the period commencing from the date of fulfillment of conditions precedent of the share option deed (the "**Grant Date**") to the day immediately prior to the fourth anniversary of the Grant Date;

(2) 30,000,000 options are exercisable during the period commencing from the first anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date; and

(3) 30,000,000 options are exercisable during the period commencing from the second anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date.

The options can only be exercised during the option period. The options will automatically lapse when Mr. Lai ceases to hold any position within the Group. Any options which would have not been exercised upon the expiry of the option period will be cancelled.

(g) Basis for determining exercise price

The subscription price for the Shares subject to the share option deed shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option.

Assuming all the options are fully exercised, the subscription price shall be HK$35,000,000 in total and equivalent to HK$0.35 per subscription share, which represent (1) a premium of approximately 4.48% over the closing price of HK$0.335 per share quoted by the Stock Exchange on 2 June 2021 (i.e. the date of the share option deed); (2) a premium of approximately 1.16% over the average closing price of HK$0.346 per share quoted by the Stock Exchange the last five consecutive trading days up to and including on 2 June 2021; and (3) a discount of approximately 7.89% to the closing price of HK$0.38 per share quoted by the Stock Exchange on 13 July 2021 (i.e. the latest practicable date of the related circular).

The Board considers that the subscription price is fair and reasonable, determined after arm's length negotiation between the Company and Mr. Lai, and is in the interests of the Company and the Shareholders as a whole.

The Company will observe Rule 23.03(13) of the GEM Listing Rules to ensure that any adjustments required under the share option deed shall comply with Rule 23.03(13) of the GEM Listing Rules to give Mr. Lai the same proportion of the equity capital as that to which Mr. Lai was previously entitled and no adjustments should be made that would increase the aggregate intrinsic value of the outstanding options. As such, any adjustments shall be subject to confirmation by the auditors and/or the independent financial adviser to ensure that the adjustment mechanism of the subscription price and the number of shares upon exercise of the options shall be in compliance with Rule 23.03(13) of the GEM Listing Rules.

(h) Time of acceptance and amount of payable upon acceptance of option

Upon acceptance of the share option deed, Mr. Lai paid HK$1.00 to the Company by way of consideration for the grant.

Given that the share option deed would be regarded as a one-man share option scheme, the Company will not appoint a trustee for the share option deed for administration of the share option deed to save administration costs.

The options shall not confer any voting rights or dividend rights to the holder of the options and there will be no particular rights arising on liquidation of the Company.

During the Reporting Period, Mr. Lai has not exercised any share option.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 35.2% and 51.6% (same period last year: 10.2% and 39.2%) of the total revenue of the Group, respectively. The Group's purchase from the largest and the five largest suppliers accounted for 32.8% and 63.9% (same period last year: 17.4% and 48.9%) of the total purchases of the Group, respectively. Among which, the largest customer was a subsidiary of a joint venture, SPV, in mainland China. Such joint venture is mainly engaged in data centre operation business in China, and owns 100% equity of a joint venture project company through its subsidiary. Such joint venture project company entered into a buildout management agreement with WNT on 1 June 2021. During the Reporting Period, the Group recognised revenue according to the progress of the buildout management agreement, and such customer became the Group's largest customer during the Reporting Period. The above joint venture was 50% owned by Lightning Cloud Limited (wholly owned by Mr. Lai, an Executive Director of the Company), and therefore constitutes a connected transaction. Save as the above mentioned, at no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

(1) On 1 June 2021, WNT entered into a buildout management agreement with Gu'an Fu'ai under which WNT will provide engineering and management services in respect of the buildout works in accordance with the terms of the buildout management agreement. Under the buildout management agreement, WNT shall, among others, through tendering and bidding process if required, engage or procure engagement of suitable third party qualified firms and persons to manage and complete the buildout of the aforesaid data centre and shall be responsible for design, supervision and implementation of the buildout project.

(2) 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 a 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.

(3) On 2 June 2021, Mr. Lai and the Company entered into a share option deed, pursuant to which the Company granted the options to Mr. Lai in the consideration of HK$1.00 with a subscription price of HK$0.35 per share, exercisable within the period of the share option deed, 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. 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.

(4) The Company held an extraordinary general meeting on 2 August 2021 to approve the placing of the convertible bonds in the aggregate principal amount of up to US$8,000,000 convertible into shares at par value 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).

(5) On 25 January 2022, the Company entered into an agreement with Yaobang Group, pursuant to which the Company will provide pledges of its properties for a term of 36 months to assist Yaobang Group in obtaining of the financing from the bank(s) up to a maximum of RMB60,000,000 for the purpose of acquisition, investment and/or development of its data centre business in the PRC. Pursuant to the agreement, Yaobang Group shall pay the Company an annual fee equivalent to 1% of the valuation of the properties. In addition, the Company shall be granted the exclusive management contract and sales contract of the above data centre, which is expected to allow the Company to explore new income and improve profitability. This major transaction involving provision of financial assistance by way of pledge of properties was approved at the extraordinary general meeting held on 12 April 2022.

For details of the items (1) to (5) above, please refer to the announcement dated 2 June 2021, the circular dated 16 July 2021, the announcements dated 2 August 2021 and 6 August 2021, the announcement dated 25 January 2022, the circular dated 25 March 2022 and the poll result announcement of the extraordinary general meeting dated 12 April 2022 of the Company, respectively.

During the Reporting Period, the Company used the proceeds from the placing of convertible bonds (Note 28 to the financial statements) and its own fundings to advance the first tranche of the Loan amounting to RMB50.0 million to the SPV; and relevant interest has been accrued and received according to the agreement.

On 25 May 2022, the financing arrangement between Yaobang Group and the Bank was finalised, pursuant to which the Yaobang Group's subsidiaries has entered into a RMB45.0 million working capital loan contract with Industrial and Commercial Bank (Loan term: 12 months from the date of withdrawal).

CONNECTED/RELATED PARTY 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 a 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 a 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 a buildout management agreement with WNT on 1 June 2021. Details are set out in the announcement dated 2 June 2021, the circular dated 16 July 2021 and the announcement dated 2 August 2021 of the Company.

Since Mr. Lai is an executive Director of the Company, the following transactions completed during 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 30 to the financial statements)

The above matters were approved by the independent shareholders at 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 28 to the financial statements) and its own fundings to advance the first tranche of the loan amounting to RMB50.0 million to the SPV; and relevant interest has been accrued and received according to the agreement. During the Reporting Period, the interest income recognised for the above borrowings was approximately RMB2.69 million and the interests receivable as at the end of the period was approximately RMB1.49 million. During the Reporting Period, the buildout management service income from subsidiaries of the above-mentioned connected companies was approximately RMB60.8 million, and the interest income was approximately RMB1.7 million. For details of related party transactions, please refer to Note 37 to the financial statements.

Save as disclosed above, during the Reporting Period, the Group had not entered into any connected transaction or continuing connected transaction that is not exempted under Rule 20.71 of the GEM Listing Rules.

Remuneration to Directors described in note 12 to the Group's consolidated financial statements are continuing connected transactions exempt from the connected transaction requirements under Rule 20.93 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Group are set out in the Corporate Governance Report on pages 20 to 30 of this report.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, as of 30 June 2022, the Company has maintained the public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 6 December 2022 to Friday 9 December 2022, both days inclusive, during which no transfer of shares of the Company will be effected. In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 5 December 2022.

AUDITOR

BDO has resigned as the auditor of the Company with effect from 15 June 2022 as the Company and BDO could not reach a consensus in respect of the audit fee for this report. On the same date, BDO has confirmed in its letter of resignation that there are no other matters or circumstances in connection with its resignation that need to be brought to the attention of the holders of the securities of the Company.

The Board and the Audit Committee have also confirmed that there is no disagreement or unresolved matter between BDO and the Company, and that there is no other matter in respect of the change of auditor which should be brought to the attention of the holders of the securities of the Company. Save for the change of auditor disclosed above, there has been no change in auditor since the date of the Listing up to the date of such change.

The Company has appointed Zhonghui as the new auditor of the Company with effect from 15 June 2022 to fill the casual vacancy following to the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

The Board and the Audit Committee are of the view that the change of auditor would enable the Company to carry out effective cost control and reduce the overall operating expenses of the Company to better cope with the future business development of the Group and is in the interest of the Company and its shareholders as a whole.

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

Hong Kong, 27 September 2022

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yi Cong (易聰), aged 58, is an executive Director, one of the founders of Sichuan Greenland, the Chief Executive Officer and the executive Director of the Company. Mr. Yi was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. Mr. Yi joined the Group in September 1996 and is currently also a director and general manager of Sichuan Greenland. He is primarily responsible for the overall business strategies, planning and development of the Group, managing key customer relationships and overseeing sales and marketing of the Group. Mr. Yi resigned from the position of compliance officer in order to focus his efforts on the Company's business pursuits with effect from 1 April 2021. Mr. Yi remained the executive Director and Chief Executive Officer of the Company after this change. Mr. Yi graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (電子科技大學)) in September 1989 with a college diploma* (專科) majoring in wireless electronics. Mr. Yi was recognised by the Chengdu Chamber of Commerce for Furniture Industry* (成都市傢俱行業商會) as the "Person of the Year"* (年度風雲人物) in 2010 and an "Influential Entrepreneur in China Furniture Industry"* (影響中國行業傑出企業家) in 2012. Mr. Yi Cong's wife, Ms. Zhang Gui Hong ("Ms. Zhang"), is the sister of Mr. Liang Xing Jun's wife. Ms. Zhang is the sole shareholder of Brilliant Talent Global Limited, one of the substantial shareholders of the Group, which owns 116,580,000 shares of the Group. Accordingly, Mr. Yi Cong is deemed to be interested in all the shares which Ms. Zhang is interested for the purpose of Part XV of the SFO.

Mr. Liang Xing Jun (梁興軍), aged 59, was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. He is primarily responsible for the overall production management. Mr. Liang joined the Group in 1996 and has over 20 years of experience in the furniture industry. Mr. Liang is currently the head of the production department at Sichuan Greenland. Mr. Liang graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (中國電子科技大學)) in July 1984 with a college diploma* (專科) in vacuum electronic technology* (真空電子技術). Mr. Liang Xing Jun's wife is the sister of Mr. Yi Cong's wife.

Mr. Ma Gary Ming Fai (馬明輝), aged 58, was appointed as an executive Director and compliance officer on 1 April 2021. He is primarily responsible for the finance and compliance of the Group. Mr. Ma was the chairman of the Board and non-executive Director of the Company in January 2017 when the Company listed on GEM of the Stock Exchange. In September 2018, he resigned from the chairman of the Board and non-executive Director of the Company in order to focus his efforts on his other business pursuits. In January 2020, when the Company acquired the data centre business, Mr. Ma was appointed representative to the board of the data centre business that oversees and reviews the operations of the data centre business and would report to the Board if required. Mr. Ma graduated from the University of Calgary, Canada in June 1985 with a Bachelor of Commerce degree. He is a member of the Institute of Chartered Accountants of Ontario in Canada. Mr. Ma is the sole shareholder of Sun Universal Limited, one of the substantial shareholders of the Company which beneficially owns 245,300,400 shares or 27.04% of the Company.

* For identification purpose only

Mr. Lai Ningning (賴寧寧), aged 45, was appointed as an executive Director on 2 August 2021. Mr. Lai holds a bachelor degree in computer science issued by Beijing Union University. Mr. Lai has worked for years with 21Vianet Group Inc. until 2017 when he was appointed as the general manager of the network department and senior vice president of 21Vianet Group Inc. and became shareholder of China Internet Exchange (北京皓寬網絡科技有限公司) in 2017. Mr. Lai has years of experience and expertise in the data centre industry. Pursuant to the share option deed, the Company has conditionally agreed to grant the options to Mr. Lai, 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 full exercise of the options, he will own 11.02% of the existing issued share capital of the Company and approximately 9.93% of the issued share capital of the Company as enlarged by the issue of the subscription shares. During the Reporting Period, Mr. Lai did not exercise any options.

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang (羅國強), aged 51, was appointed as a non-executive Director on 28 September 2018. He worked as a credit department officer during July 1991 to August 2003 before resigning from the Qiaotou branch of Industrial and Commercial Bank of China in Dongguan (中國工商銀行東莞橋頭支行). Since August 2003, Mr. Luo was appointed as a financial manager in a furniture company at Dongguan, mainly responsible for finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit (陳永傑), aged 50, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Chan obtained a Bachelor of Commerce degree from Monash University in February 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.

From March 2016 to August 2019, Mr. Chan was an executive director of Royale Furniture Holdings Limited (Stock Code: 1198, "Royale Furniture"). The principal business activities of Royale Furniture include manufacturing, trading and retailing home furniture in the PRC. Mr. Chan has been appointed as a chief financial officer of Royale Furniture since August 2019.

Ms. Cao Shao Mu (曹少慕), aged 61, was appointed as the independent non-executive Director of the Company on 17 December 2016. She was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Ms. Cao completed a selected on-job executive master of business administration course* (在職經理工商管理碩士(EMBA)精選課程研修班) in November 2004 at Yiyuan College, Sun Yat-Sen University. Ms. Cao worked in the sales department of Guangzhou Pepsi-Cola Beverage Co., Ltd from 2001 to 2014 and retired holding the position of senior district development manager.

* For identification purpose only

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kwok Sui Hung (郭瑞雄), aged 62, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Kwok completed a certificate programme in marketing management from the Hong Kong Management Association in June 1994. Since 1996, Mr. Kwok has been the general manager of Sun Champion Trading Limited, responsible for monitoring the operation of Hong Kong and China divisions of that company. Mr. Kwok resigned as an independent non-executive Director, and ceased to be a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee due to personal reasons on 1 June 2022.

Mr. Li Saint Chi Sainti (李聖智), aged 62, was appointed as an independent non-executive Director of the Company, and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 1 June 2022. Mr. Li studied Electronics Engineering in Hong Kong Polytechnic and started his career as customer services engineer in the early 1980s. Mr. Li is a seasoned business executive with proven track record of building, operating and leasing multiple multi-tenants and hyperscale data centres with world-known data centre players such as Global Switch, Equinix and AT&T. He has over 30 years of sales & marketing, product management, business development and general management experience, with which over 15 years of experience on the ground based in Mainland China.

SENIOR MANAGEMENT

Mr. Chen Fei (陳飛), aged 44, is the vice general manager responsible for the sales function of the Group and the general manager of the Chengdu sales office. He joined the Group in June 1998 as a sales staff and was promoted in December 2011 as the sales director responsible for, inter alia, managing the sales operation of Sichuan Greenland. Since June 2013, Mr. Chen has been the vice general manager responsible for overseeing the sales department. From June 2013 to November 2014, he also acted as the general manager of Chongqing Branch Office.

In December 2014, he was re-designated as the general manager of Sichuan Greenland. Mr. Chen received his college diploma* (專科) in international trade from Sichuan Radio and TV University (四川廣播電視大學) in July 1998 and later obtained a bachelor degree in business administration from China Central Radio and TV University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in January 2012.

Ms. He Lu Ming (何鹿鳴), aged 45, is the head of the administration department. Ms. He received her master degree from Communist Party of China of Sichuan Province College* (中共四川省委黨校) majoring in regional economics in June 2011. She joined the Group in May 2002 and acted as the administration manager responsible for human resources, administrative and back-office matters. Since October 2010, Ms. He has been in charge of the administration department and has been the chairman of the labour union since October 2015.

* For identification purpose only

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung Yuk Yi (梁玉宜), aged 52, is the Company secretary of the Company. She is responsible for overall company secretarial matters of the Group. She obtained her bachelor of business degree majoring in marketing in July 1993 and later a master of practising accounting degree in October 1998 from Monash University in Australia. Ms. Leung was admitted as a member of the Hong Kong Institute of Certified Public Accountants in May 2003. She was a senior manager at the tax department of Ernst & Young from November 1999 to November 2013.

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZHI SHENG GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhi Sheng Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 129, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2021 to 30 June 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the period from 1 January 2021 to 30 June 2022 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loan receivables and trade, lease and other receivables

Refer to Note 20 and Note 23 to the consolidated financial statements

The Group tested the amount of loan receivables and trade, lease and other receivables for impairment. This impairment test is significant to our audit because the balance of loan receivables and trade, lease and other receivables of RMB50,000,000 and RMB61,937,000 respectively as at 30 June 2022 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to customers;

— Assessing the Group's relationship and transaction history with the customers;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the customers;

— Checking subsequent settlements from the customers;

— Assessing the value of the collateral for the debts; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for loan receivables and trade, lease and other receivables is supported by the available evidence.

Impairment assessment of goodwill and other non-financial assets attributable to the cash generating units ("CGUs")

Refer to Note 15, 16, 17, 18 and 19 to the consolidated financial statements

As at 30 June 2022, the Group had goodwill of approximately RMB25,197,000 and other non-financial assets attributable to the CGUs of approximately RMB62,796,000 in which property, plant and equipment of approximately RMB42,955,000, right-of-use assets of approximately RMB19,841,000 and intangible asset of approximately RMB nil allocated to CGUs of office furniture and data centre.

The Group is required to annually test the amount of goodwill and other non-financial assets attributable to the CGUs for impairment. This annual impairment test is significant to our audit because the balance of goodwill and other non-financial assets attributable to the CGUs of RMB87,993,000 as at 30 June 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the identification of the related CGUs;

— Assessing the arithmetical accuracy of the value-in-use and fair value less costs of disposal calculations;

— Comparing the actual cash flows with the cash flow projections;

— Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

— Obtaining the external valuation reports and meeting with the external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; and

— Checking input data to supporting evidence.

We consider that the Group's impairment assessment of goodwill and other non-financial assets attributable to the CGUs is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374

Hong Kong, 27 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2022

	Notes	**1/1/2021 to 30/6/2022 RMB'000**	1/1/2020 to 31/12/2020 RMB'000
Revenue	*7*	**172,511**	82,419
Cost of sales		**(162,795)**	(76,528)
Gross profit		**9,716**	5,891
Other income, net	*8*	**6,089**	3,808
Selling and distribution expenses		**(11,883)**	(8,675)
Administrative and other expenses		**(57,057)**	(21,729)
Impairment loss on assets	*11*	**(12,652)**	(2,375)
Loss from operations		**(65,787)**	(23,080)
Finance costs	*9*	**(9,389)**	(4,576)
Loss before tax		**(75,176)**	(27,656)
Income tax credit	*10*	**1,438**	703
Loss for the period/year attributable to the owners of the Company	*11*	**(73,738)**	(26,953)
Other comprehensive expense after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(2,019)**	(824)
Total comprehensive expense for the period/year attributable to the owners of the Company		**(75,757)**	(27,777)
Loss per share			
Basic and diluted (RMB cents)	*14*	**(8.13)**	(2.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**42,955**	46,899
Right-of-use assets	*16*	**19,841**	37,613
Intangible asset	*17*	**–**	8,251
Goodwill	*18*	**25,197**	30,827
Long-term loan receivables	*20*	**50,000**	–
		137,993	123,590
Current assets			
Inventories	*21*	**10,751**	15,667
Contract assets	*22*	**30,193**	2,668
Trade, lease and other receivables	*23*	**61,937**	58,820
Cash and cash equivalents	*24*	**28,936**	64,552
		131,817	141,707
Current liabilities			
Contract liabilities	*22*	**33,641**	2,882
Trade and other payables	*25*	**30,542**	21,156
Bank borrowings	*26*	**–**	30,000
Lease liabilities	*27*	**3,555**	14,861
Tax payable		**974**	2
		68,712	68,901
Net current assets		**63,105**	72,806
Total assets less current liabilities		**201,098**	196,396
Non-current liabilities			
Lease liabilities	*27*	**3,719**	10,088
Convertible bonds	*28*	**64,835**	7,041
Deferred tax liabilities	*29*	**4,623**	7,044
		73,177	24,173
NET ASSETS		**127,921**	172,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*31*	**8,016**	8,016
Reserves	*33*	**119,905**	164,207
TOTAL EQUITY		**127,921**	172,223

The consolidated financial statements on pages 59 to 129 were approved and authorised for issue by the Board of Directors on 27 September 2022 and are signed on its behalf by:

Yi Cong	**Ma Gary Ming Fai**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2022

	Share capital	Share premium	Convertible bonds equity reserve	Share option reserve	Other reserve	Statutory reserve	Foreign exchange reserve	Retained earnings/ (accumulated losses)	Total
		(Note 33(c)(i))	*(Note 33(c)(ii))*	*(Note 33(c)(iii))*	*(Note 33(c)(iv))*	*(Note 33(c)(v))*	*(Note 33(c)(vi))*	*(Note 33(c)(vii))*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	7,100	163,826	–	–	(11,131)	4,158	(8,579)	13,003	168,377
Loss for the year	–	–	–	–	–	–	–	(26,953)	(26,953)
Other comprehensive expense:									
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	(824)	–	(824)
Total comprehensive expense for the year	–	–	–	–	–	–	(824)	(26,953)	(27,777)
Issue of consideration shares (note 31)	916	23,370	–	–	–	–	–	–	24,286
Issue of convertible bonds (note 28)	–	–	7,337	–	–	–	–	–	7,337
Transfer to statutory reserves	–	–	–	–	–	340	–	(340)	–
At 31 December 2020	8,016	187,196	7,337	–	(11,131)	4,498	(9,403)	(14,290)	172,223
At 1 January 2021	**8,016**	**187,196**	**7,337**	**–**	**(11,131)**	**4,498**	**(9,403)**	**(14,290)**	**172,223**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(73,738)**	**(73,738)**
Other comprehensive expense:									
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(2,019)**	**–**	**(2,019)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(2,019)**	**(73,738)**	**(75,757)**
Recognition of equity-settled share-based payment expense (Note 30)	**–**	**–**	**–**	**16,575**	**–**	**–**	**–**	**–**	**16,575**
Issue of convertible bonds (note 28)	**–**	**–**	**14,880**	**–**	**–**	**–**	**–**	**–**	**14,880**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**110**	**–**	**(110)**	**–**
At 30 June 2022	**8,016**	**187,196**	**22,217**	**16,575**	**(11,131)**	**4,608**	**(11,422)**	**(88,138)**	**127,921**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2022

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Cash flows from operating activities		
Loss before tax	**(75,176)**	(27,656)
Adjustments for:		
Depreciation of right-of-use assets	**17,772**	14,533
Depreciation of property, plant and equipment	**6,885**	3,896
Amortisation of intangible asset	**8,251**	5,373
Loss on written off and disposal of property, plant and equipment	**76**	2
Write-down of inventories to net realisable value	**4,924**	4,756
Write-off of trade and other receivables	**–**	3,036
Impairment loss on trade receivables and other receivables	**7,022**	1,515
Impairment loss on goodwill	**5,630**	–
Impairment loss on property, plant and equipment	**–**	822
Impairment loss on right-of-use assets	**–**	38
Bank interest income	**(141)**	(23)
Covid-19 related rent concession	**–**	(172)
Dividend income from financial assets at fair value through profit or loss	**–**	(395)
Interest income from other receivables	**(3,012)**	(2,302)
Interest income from loan receivables	**(2,693)**	–
Interest income arising from unwinding contract assets with significant financing component	**(249)**	(232)
Share-based payment arising from issue of convertible bonds	**13,808**	–
Equity-settled share-based payments	**16,575**	–
Gain on lease termination	**–**	(116)
Finance costs	**9,389**	4,576
Operating profit before working capital changes	**9,061**	7,651
Change in inventories	**(8)**	1,188
Change in contract assets	**(27,525)**	996
Change in trade, lease and other receivables	**5,351**	(14,576)
Change in contract liabilities	**30,759**	(928)
Change in trade and other payables	**9,386**	(2,970)
Cash generated from/(used in) operations	**27,024**	(8,639)
Income tax paid	**(36)**	–
Bank interest received	**141**	23
Net cash generated from/(used in) operating activities	**27,129**	(8,616)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2022

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Cash flows from investing activities		
Redemption of financial assets at fair value through profit or loss	–	4,115
Net cash inflow from acquisition of a subsidiary	–	948
Change in loan receivables	(50,000)	(731)
Purchase of debt instruments at amortised cost	(24,000)	(14,000)
Redemption of debt instruments at amortised cost	10,000	19,000
Interest received	4,464	2,697
Purchases of property, plant and equipment	(3,095)	(53)
Proceeds from disposal of property, plant and equipment	78	4
Net cash (used in)/generated from investing activities	(62,553)	11,980
Cash flows from financing activities		
Proceed from bank borrowing	–	30,000
Repayment of bank borrowings	(30,000)	–
Repayment of lease liabilities	(17,675)	(12,986)
Interests paid	(2,591)	(3,704)
Issue of convertible bond	50,087	–
Net cash (used in)/generated from financing activities	(179)	13,310
Net (decrease)/increase in cash and cash equivalents	(35,603)	16,674
Effect of foreign exchange rate changes	(13)	(1,201)
Cash and cash equivalents at beginning of period/year	64,552	49,079
Cash and cash equivalents at end of period/year	28,936	64,552
Analysis of cash and cash equivalents		
Bank and cash balances	28,936	64,552

1. GENERAL INFORMATION

Zhi Sheng Group Holdings Limited (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, the Cayman Islands. Its principal place of business is at Room 747, 7/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Hong Kong and its headquarter 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 and the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacture and sales of office furniture products and data centre business in the PRC. Details of the principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 January 2017.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRS would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

During the period, the Company changed its financial year end date from 31 December to 30 June in order to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. The current period consolidated financial statements cover a eighteen months period ended 30 June 2022 and the comparative financial statements cover a twelve month period ended 31 December 2020. The comparative amounts are therefore not entirely comparable.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumption and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgements and area where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency. The functional currency of the Company is Hong Kong dollars ("HK$"). The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Motor vehicles	10–20%
Plant and machinery	10–20%
Furniture and office equipment	10–20%
Leasehold improvements	20% or the lease term, whichever is shorter
Buildings	3.3%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Leasehold land	Over the lease term
Office premises	50%
Warehouse	50%
Server racks	20%

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as lessee (continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

Operating lease

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal ("FVLCD") (if measurable) or its value in use ("VIU") (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Intangible asset (other than goodwill)

The cost of intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible asset with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful life and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over its useful life from date of acquisition as follows:

Operation permit	2.5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible asset with finite life is tested for impairment when there is an indication that an asset may be impaired. Intangible asset is tested for impairment by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit loss ("ECL") on long-term loan receivable, lease receivables, contract assets, trade receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for lease receivables, contract assets and trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group calculates the lifetime ECLs on certain trade receivables by establishing a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. The Group calculated the lifetime ECLs on contract assets, certain trade receivables and lease receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment.

For long-term loan receivable and other financial assets at amortised cost, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past, unless the Group has reasonable and supportable information demonstrates otherwise.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit impaired financial assets, interest income is calculated based on the gross carrying amount.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Convertible bonds

Convertible loans which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible bonds issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Sales of office furniture products

Customers obtain control of the office furniture products when the goods are delivered to, installed and have been accepted by customers according to the contract terms. Revenue is thus recognised at the point in time when the customers accepted the office furniture products. There is generally only one performance obligation and the considerations include no variable amount. Invoices are usually payable within 30 days or up to 180 days.

Renting server racks

The Group rents server racks in data centre to the customers.

Rental income is recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Information technology management service

Revenue from information technology management service is recognised over time when the agreed IT service has been performed by the Group.

Internet access connection services

The Group sets up internet access connection for the customers. Such services are transferred over time and revenue is recognised when the customers simultaneously receive and consume the benefits from the Group's performance of providing such services.

Data centre operating and security service

The Group provides data centre operating and security service outsourced by the customer. Such services are transferred over time and revenue is recognised when the customers simultaneously receive and consume the benefits from the Group's performance of providing such services.

Buildout management service

The Group provides buildout management service to the customers. When the progress towards complete satisfaction of the performance obligations of a buildout management service contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a buildout management service contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Contract asset is recognised when the customers retain quality assurance deposits ("QADs") to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the end of quality assurance period.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contractual liabilities are recognised as revenue when the Group performs under the contract.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Group issues equity-settled share-based payments to certain directors.

Equity-settled share-based payments to directors are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and other intangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Control over 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("WNT")

WNT is mainly engaged in the data centre business in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

Certain structured contracts (the "Structured Contracts") were effectuated among ITO Express Limited, 北京萬諾馳科技有限公司 (Beijing Wannuochi Technology Company Limited) ("Beijing Wannuochi"), WNT, and the registered owner of WNT, pursuant to which the entire economic benefits and the risks of the business of WNT flow into Beijing Wannuochi and enable the Beijing Wannuochi to gain 100% effective control over the WNT.

The Company considers that it controls WNT, notwithstanding the fact that it holds 50% equity interest in WNT, as it has power over the financial and operating policies of WNT and receives substantially all of the economic benefits from the business activities of WNT through the Structured Contracts. Accordingly, WNT is accounted for as a subsidiary of the Company for accounting purpose.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Allowance on impairment of financial assets

At each reporting date, the Group uses a provision matrix to calculate ECLs for certain trade receivables. The provision rate is initially based on the Group's historical observed default rates. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The Group calculated the lifetime ECLs on contract assets, certain trade receivables and lease receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for expected credit losses individually.

At each reporting date, the Group assesses other financial asset at amortised cost whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(b) Impairment of goodwill, intangible asset, right-of-use assets and property, plant and equipment

Intangible asset with finite useful life, right-of-use assets and property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are required to be tested annually for impairment.

The recoverable amounts of the CGUs have been determined based on VIU or FVLCD, whichever is higher. The VIU calculations require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill and non-financial assets within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD may involve the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement. Details in impairment assessment of CGUs are set out in Note 19 to the consolidated financial statements.

(c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Revenue and profit recognition

The Group estimated the percentage of completion of the buildout management service contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

As the Group's revenue and expenses are mainly in RMB and most of the Group's assets and liabilities are denominated in RMB, which is the functional currency of the Company's primary subsidiaries, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's credit risk is primarily attributable to its long-term loan receivable, contract assets, trade, lease and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of long-term loan receivable, contract assets, trade, lease and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 11% (31 December 2020: 12%) of the total trade receivables was due from the Group's largest customer.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from long-term loan receivable, contract assets, trade receivables and lease receivables are set out in Notes 20, 22, 23(a) and 23 (b).

Cash at banks are deposits in bank with sound credit rating. Given their high credit rating, the Group does not expect to have high credit risk in this aspect.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	Between one and two years RMB'000	More than two years but less than five years RMB'000
At 30 June 2022					
Trade and other payables	**29,497**	**29,497**	**29,497**	**–**	**–**
Lease liabilities	**7,274**	**7,794**	**3,937**	**3,857**	**–**
Convertible bonds	**64,835**	**79,840**	**2,130**	**77,710**	**–**
	101,606	**117,131**	**35,564**	**81,567**	**–**
At 31 December 2020					
Trade and other payables	17,504	17,504	17,504	–	–
Bank borrowings	30,000	30,000	30,000	–	–
Lease liabilities	24,949	26,958	16,062	5,111	5,785
Convertible bonds	7,041	10,998	–	–	10,998
	79,494	85,460	63,566	5,111	16,783

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)		
Trade, lease and other receivables	**35,563**	27,636
Cash and cash equivalents	**28,936**	64,552
	64,499	92,188
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	**29,497**	17,504
Bank borrowings	**–**	30,000
Lease liabilities	**7,274**	24,949
Convertible bonds	**64,835**	7,041
	101,606	79,494

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their fair values.

6. SEGMENT INFORMATION

The operating segments are determined with reference to the reports and financial information reviewed by the Company's executive directors who are responsible for financial and accounting matters (the "Chief Operating Decision Makers") for the purpose of assessment of performance and resource allocation.

For the year ended 31 December 2020, the Group has two reportable segments, which are manufacture and sale of office furniture products and data centre business. For the period ended 30 June 2022, the Group started to have one more reportable segment, which is to conduct buildout management service. The following summarises the operation of each reportable segment of the Group:

— Office furniture segment — manufacture and sale of office furniture products in the PRC;

— Data centre segment — data centre business in the PRC and provision of information technology management service in Hong Kong; and

— Buildout management service segment — provide engineering and management services in respect of the buildout works in PRC.

(a) Reportable segments revenue and results

	Office Furniture		Data Centre		Buildout management service		Total	
	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Segment revenue								
Sale of office furniture products	76,767	57,692	–	–	–	–	76,767	57,692
Information technology management service	–	–	3,276	294	–	–	3,276	294
Internet access connection service	–	–	680	574	–	–	680	574
Data centre operating and security service	–	–	–	2,625	–	–	–	2,625
Rental of server racks	–	–	31,016	21,234	–	–	31,016	21,234
Buildout management service	–	–	–	–	60,772	–	60,772	–
	76,767	57,692	34,972	24,727	60,772	–	172,511	82,419
Segment results	(26,387)	(20,087)	(12,525)	(3,655)	3,380	–	(35,532)	(23,742)
Unallocated expenses							(34,774)	(3,048)
Other income							2,963	6
Interest expense of convertible bonds							(7,833)	(872)
Loss before tax							(75,176)	(27,656)

The Group had no inter-segment transactions during the period ended 30 June 2022 and year ended 31 December 2020.

Unallocated expenses comprised mainly of the share-based payment arising from issue of convertible bonds, the equity-settled share-based payments and the expenses of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

6. SEGMENT INFORMATION (CONTINUED)

(b) Reportable segments assets and liabilities

	Office Furniture		Data Centre		Buildout management service		Total	
	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000	**As at 30 June 2022 RMB'000**	As at 31 December 2020 RMB'000	**As at 30 June 2022 RMB'000**	As at 31 December 2020 RMB'000	**As at 30 June 2022 RMB'000**	As at 31 December 2020 RMB'000
Segment assets	**116,875**	176,296	**71,364**	78,057	**28,262**	–	**216,501**	254,353
Loan receivable							**50,000**	–
Cash and cash equivalents							**1,721**	10,756
Unallocated corporate assets							**1,588**	188
							269,810	265,297
Segment liabilities	**(16,706)**	(46,726)	**(25,760)**	(38,654)	**(32,455)**	–	**(74,921)**	(85,380)
Convertible bonds							**(64,835)**	(7,041)
Unallocated corporate liabilities							**(2,133)**	(653)
							(141,889)	(93,074)

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

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

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Office Furniture		Data Centre		Buildout management service		Unallocated		Total	
	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Bank interest income	4	4	137	15	–	–	–	4	141	23
Interest income from other receivables	1,337	2,302	1,675	–	–	–	–	–	3,012	2,302
Interest income from loan receivables	–	–	–	–	–	–	2,693	–	2,693	–
Interest income arising from unwinding contract assets with significant financing component	249	232	–	–	–	–	–	–	249	232
Interest expense on bank borrowing	67	1,630	–	–	–	–	–	–	67	1,630
Interest expense on lease liabilities	30	41	1,459	2,033	–	–	–	–	1,489	2,074
Interest expense on convertible bonds	–	–	–	–	–	–	7,833	872	7,833	872
Amortisation of intangible asset	–	–	8,251	5,373	–	–	–	–	8,251	5,373
Depreciation of right-of-use assets	1,034	711	16,738	13,822	–	–	–	–	17,772	14,533
Depreciation of property, plant and equipment	6,885	3,896	–	–	–	–	–	–	6,885	3,896
Loss on written off and disposal of property, plant and equipment	76	2	–	–	–	–	–	–	76	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	6,941	1,475	81	40	–	–	–	–	7,022	1,515
Write-off of trade and other receivables	–	3,036	–	–	–	–	–	–	–	3,036
Impairment loss on goodwill	–	–	5,630	–	–	–	–	–	5,630	–
Addition to intangible asset through business combination	–	–	–	13,624	–	–	–	–	–	13,624
Additions to property, plant and equipment	3,095	53	–	–	–	–	–	–	3,095	53
Additions to right-of-use assets	–	865	–	–	–	–	–	–	–	865
Additions to right-of-use assets through business combination	–	–	–	36,343	–	–	–	–	–	36,343

6. SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

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

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Revenue from external customers		
PRC	**170,197**	82,125
Hong Kong	**2,314**	294
	172,511	82,419

The geographical location of revenue allocated is based on the location at which the goods were delivered and the service 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.

(e) Information about major customer

The Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Group's revenue. During the period/year, revenue derived from the customer from office furniture segment is as follows:

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Customer A (Buildout management service)	**60,772**	–
Customer B (Sale of office furniture products)	**5,316***	8,395

* Customer B did not meet the threshold of revenue over 10% for the period ended 30 June 2022.

7. REVENUE

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Revenue from contracts with customer		
Sale of office furniture products	**76,767**	57,692
Information technology management service	**3,276**	294
Internet access connection service	**680**	574
Data centre operating and security service	**–**	2,625
Buildout management service	**60,772**	–
	141,495	61,185
Revenue from other sources		
Rental of server racks	**31,016**	21,234
	172,511	82,419

Disaggregation of revenue from contract with customers

The Group's revenue from contracts with customer disaggregated by the timing of revenue recognition is as follows:

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Timing of revenue recognition		
At a point in time	**76,767**	57,692
Overtime	**64,728**	3,493
	141,495	61,185

7. REVENUE (CONTINUED)

Revenue expected to be recognised in the future arising from contract in existence at the reporting date

Operating leases

The Group sub-leases its server racks and classifies these sub-leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be recovered after the reporting date.

At the end of the period/year	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Year 1	**15,709**	12,319
Year 2	**6,540**	7,742
Year 3	**1,908**	1,838
	24,157	21,899

8. OTHER INCOME, NET

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Bank interest income	**141**	23
Exchange (loss)/gain, net	**(139)**	1
Interest income from loan receivables	**2,693**	–
Interest income from other receivables	**3,012**	2,302
Interest income arising from unwinding contract assets with significant financing component	**249**	232
Dividend income from financial assets at fair value through profit or loss	**–**	395
Subsidy income	**9**	404
Covid-19 related rent concession	**–**	172
Gain on lease termination	**–**	116
Penalty	**(787)**	–
Others	**911**	163
	6,089	3,808

9. FINANCE COSTS

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Interest expense on bank borrowing	67	1,630
Interest expense on lease liabilities	1,489	2,074
Interest expense on convertible bonds	7,833	872
	9,389	4,576

10. INCOME TAX CREDIT

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Current tax		
Provision for the period/year	983	1
Deferred tax (Note 29)	(2,421)	(704)
	(1,438)	(703)

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.

Hong Kong Profits Tax for the period ended 30 June 2022 has been provided under two-tiered profit tax rate regime, the first HK$2 million of estimated assessable profits is provided at the rate of 8.25%, and estimated assessable profits above HK$2 million is provided at the rate of 16.5%. No Hong Kong profits tax was provided in the consolidated financial statements as the Group has no estimated assessable profit derived from and earned in Hong Kong during the year ended 31 December 2020.

Provision for the enterprise income tax in the PRC is calculated using the a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax laws in the PRC.

In accordance with the "Notice on implementing Generalised Preferential Tax Treatment for Small Low profit Enterprises", the Group's PRC entities which are qualified as small and thin profit enterprises with an annual taxable profits of RMB1 million or less entitled a tax concession for 20% of its taxable profits.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of subsidiaries of approximately RMBnil (31 December 2020: RMB20,073,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

10. INCOME TAX CREDIT (CONTINUED)

The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Loss before tax	**(75,176)**	(27,656)
Tax calculated at tax rate of 25%	**(18,794)**	(6,914)
Tax effect of expenses not deductible for tax purposes	**13,245**	1,537
Tax effect of deductible temporary differences not recognised	**1,755**	1,787
Tax effect of utilisation of tax losses not previously recognised	**(313)**	–
Tax effect of tax losses not recognised	**3,331**	2,895
Tax concession	**(376)**	(8)
Effect of different tax rates of subsidiaries	**(286)**	–
Income tax credit	**(1,438)**	(703)

As at 30 June 2022, certain subsidiaries of the Group have unused tax losses of RMB23,977,000 (31 December 2020: RMB23,204,000) available to offset against future profits that will be expired in five years. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of profit streams in the future.

11. LOSS FOR THE PERIOD/YEAR

The Group's loss for the period/year has been arrived at after (crediting)/charging the following:

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Auditor's remuneration	**597**	712
Cost of inventories recognised as expense, including	**70,594**	53,193
— Write-down of inventories to net realisable value	**4,924**	4,756
Depreciation of right-of-use assets	**17,772**	14,533
Depreciation of property, plant and equipment	**6,885**	3,896
Amortisation of intangible asset	**8,251**	5,373
Loss on written off and disposal of property, plant and equipment	**76**	2
Write-off of trade and other receivables	**–**	3,036
Impairment loss on assets		
— trade receivables and other receivables	**7,022**	1,515
— property, plant and equipment	**–**	822
— right-of-use assets	**–**	38
— goodwill	**5,630**	–
	12,652	2,375
Share-based payment arising from issue of convertible bonds	**13,808**	–
Staff costs (including directors' emoluments)		
— Salaries, bonus and allowances	**17,456**	13,726
— Retirement benefits scheme contributions	**4,299**	1,208
— Equity-settled share-based payments	**16,546**	–
Total staff costs (including directors' emoluments)	**38,301**	14,934

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration is disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits in kinds RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
For the period ended 30 June 2022					
Executive directors					
Mr. Yi Cong	–	720	103	–	823
Mr. Liang Xing Jun	–	106	32	–	138
Mr. Ma Gary Ming Fai (note ii)	124	–	–	–	124
Mr. Lai Ningning ("Mr. Lai") (Note iii)	–	–	–	16,348	16,348
Non-executive director					
Mr. Luo Guoqiang	149	–	–	–	149
Independent non-executive directors					
Mr. Chan Wing Kit	149	–	–	–	149
Ms. Cao Shao Mu	149	–	–	–	149
Mr. Kwok Sui Hung (Note iv)	141	–	–	–	141
Mr. Li Saint Chi Sainti ("Mr. Li") (Note v)	–	–	–	198	198
	712	826	135	16,546	18,219

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

	Fees RMB'000	Salaries, allowances and benefits in kinds RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
For the year ended 31 December 2020					
Executive directors					
Mr. Yi Cong	–	1,427	29	–	1,456
Mr. Liang Xing Jun	–	270	8	–	278
Non-executive director					
Mr. Luo Guoqiang	107	–	–	–	107
Independent non-executive directors					
Mr. Chan Wing Kit	107	–	–	–	107
Ms. Cao Shao Mu	107	–	–	–	107
Mr. Kwok Sui Hung (Note iv)	107	–	–	–	107
	428	1,697	37	–	2,162

Notes:

(i) Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(ii) Mr. Ma Gary Ming Fai has appointed as an executive director of the Company on 1 April 2021.

(iii) Mr. Lai has appointed as an executive director of the Company on 2 August 2021.

(iv) Mr. Kwok Sui Hung has resigned as an independent non-executive director of the Company on 1 June 2022.

(v) Mr. Li has appointed as an independent non-executive director of the Company on 1 June 2022.

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals consist of 2 directors of the Company for the period ended 30 June 2022 (year ended 31 December 2020: 2 directors). Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 highest paid individuals for the period ended 30 June 2022 (year ended 31 December 2020: 3)are as follows:

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Salaries, allowances and benefits in kind	**1,198**	1,307
Retirement benefits scheme contributions	**405**	113
	1,603	1,420

Their emoluments were within the following band:

	1/1/2021 to 30/6/2022 Number of individual	1/1/2020 to 31/12/2020 Number of individual
Nil to HK$1,000,000	**3**	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the period ended 30 June 2022 (year ended 31 December 2020: nil).

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(c) Senior management

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	1/1/2021 to 30/6/2022 Number of individual	1/1/2020 to 31/12/2020 Number of individual
Nil to HK$1,000,000	**3**	3

13. DIVIDENDS

No dividend has been paid or declared during the period ended 30 June 2022 and year ended 31 December 2020 nor has any dividend been declared since the end of the reporting period.

14. LOSS PER SHARE

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Loss		
Loss for the period/year attributable to owners of the Company	**73,738**	26,953
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**907,333,333**	903,086,758

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2022 and year ended 31 December 2020.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
COST						
At 1 January 2020	661	6,522	529	5,986	55,270	68,968
Additions	–	–	53	–	–	53
Disposals	(91)	–	(2)	–	–	(93)
Written off	–	(26)	–	(1,325)	–	(1,351)
At 31 December 2020 and 1 January 2021	570	6,496	580	4,661	55,270	67,577
Additions	1,453	1,551	91	–	–	3,095
Disposals	(1,282)	(17)	(7)	–	–	(1,306)
At 30 June 2022	741	8,030	664	4,661	55,270	69,366
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS						
At 1 January 2020	317	2,453	393	2,911	11,324	17,398
Charge for the year	110	572	35	914	2,265	3,896
Impairment for the year	26	479	21	296	–	822
Disposals	(86)	–	(2)	–	–	(88)
Written off	–	(25)	–	(1,325)	–	(1,350)
At 31 December 2020 and 1 January 2021	367	3,479	447	2,796	13,589	20,678
Charge for the period	865	727	31	1,865	3,397	6,885
Eliminated on disposals	(1,132)	(14)	(6)	–	–	(1,152)
At 30 June 2022	100	4,192	472	4,661	16,986	26,411
CARRYING AMOUNTS						
At 30 June 2022	641	3,838	192	–	38,284	42,955
At 31 December 2020	203	3,017	133	1,865	41,681	46,899

As at 30 June 2022, the Group's buildings of RMB38,284,000 is pledged to secure the independent third party's borrowing. As at 31 December 2020, the Group's buildings of RMB41,681,000 is pledged to secure the Group's bank borrowing (Note 26).

16. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Right-of-use assets		
— Leasehold land	**13,242**	13,754
— Office premises	**36**	1,163
— Warehouse	**–**	17
— Server racks	**6,563**	22,679
	19,841	37,613
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Within one year	**3,937**	16,062
— Between one and two years	**3,857**	5,111
— Between two and five years	**–**	5,785
	7,794	26,958

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Period/year ended:		
Depreciation charge of right-of-use assets		
— Leasehold land	**512**	341
— Office premises	**1,127**	525
— Warehouse	**17**	52
— Server racks	**16,116**	13,615
	17,772	14,533
Lease interests	**1,489**	2,074
Expenses related to short-term leases	**45**	331
Impairment loss on right-of-use asset	**–**	38
Total cash outflow for leases	**17,675**	12,986
Additions to right-of-use assets	**–**	37,485

16. RIGHT-OF-USE ASSETS (CONTINUED)

Disclosures of lease-related items: (continued)

As at 30 June 2022, the Group's leasehold land of RMB13,242,000 is pledged to secure the independent third party's borrowing. As at 31 December 2020, the Group's leasehold land of RMB13,754,000 is pledged to secure the Group's bank borrowing (Note 26).

The Group's right-of-use assets comprise of leasehold interests in a land in the PRC and held under long-term lease.

The Group leases various office premises, warehouse and server racks. Lease agreements are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

17. INTANGIBLE ASSET

	Operation Permit RMB'000
COST	
At 1 January 2020	–
Acquired through business combination	13,624
At 31 December 2020, 1 January 2021 and 30 June 2022	13,624
ACCUMULATED AMORTISATION	
At 1 January 2020	–
Charge for the year	5,373
At 31 December 2020 and 1 January 2021	5,373
Charge for the period	8,251
At 30 June 2022	13,624
CARRYING AMOUNTS	
At 30 June 2022	–
At 31 December 2020	8,251

It represents the 增值電信業務經營許可證 (Value-added Telecommunications Business Operation Permit) ("Operation Permit") issued by the Ministry of Industry and Information of the People's Republic of China (中華人民共和國工業和信息化部) on 28 November 2017 which is valid until 20 June 2022. The Group renewed the Operation Permit until 21 February 2027 during the period ended 30 June 2022.

The operation permit is recognised upon the acquisition of Polyqueue Limited. Its fair value at date of acquisition is based on valuation prepared by Valplus Consulting Limited ("Valplus"), an independent professional valuer, assessed under income approach using excess earnings method.

18. GOODWILL

	RMB'000
COST	
At 1 January 2020	–
Acquired through business combination	30,827
At 31 December 2020, 1 January 2021 and 30 June 2022	30,827
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Impairment loss recognised in the current period	5,630
At 30 June 2022	5,630
CARRYING AMOUNTS	
At 30 June 2022	25,197
At 31 December 2020	30,827

19. IMPAIRMENT TESTING FOR CGUs

Office furniture segment suffered from operating loss during the period ended 30 June 2022 and year ended 31 December 2020 which is an impairment indicator for impairment testing for its CGU ("Office Furniture CGU"). Goodwill arising from acquisition of Polyqueue Limited is allocated to data centre CGU ("Data Centre CGU") for impairment testing.

During the period ended 30 June 2022 and year ended 31 December 2020, the Group's management has engaged Valplus to perform valuations for the purpose to assess the recoverable amounts of Office Furniture CGU and Data Centre CGU as at 30 June 2022 and 31 December 2020.

Office Furniture CGU

The recoverable amount of Office Furniture CGU is based on FVLCD which comprise of mainly the fair value of leasehold land, industrial buildings and machinery determined under market comparison method and depreciated replacement cost method. The FVLCD of these assets are Level 3 recurring fair value measurement. As at 30 June 2022, the recoverable amount of Office Furniture CGU of RMB61,520,000 is higher than its carrying amount of RMB56,201,000, no impairment loss has been recognised.

As at 31 December 2020, the recoverable amount of Office Furniture CGU of RMB60,565,000 is lower than its carrying amount of RMB61,425,000, impairment loss of RMB860,000 has been recognised. Impairment loss attributable this CGU are allocated to property, plant and equipment and right-of-use assets on pro rata basis based on the carrying amount of each assets in this CGU. Each assets should be reduced only to the highest of its FVLCD, VIU and zero. As the result of such allocation, impairment loss on property, plant and equipment of RMB822,000 (Note 15) and right-of-use asset of RMB38,000 (Note 16) has been recognised for the year.

19. IMPAIRMENT TESTING FOR CGUs (CONTINUED)

Data Centre CGU

The recoverable amount of Date Centre CGU is determined based on a VIU calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at 3.00% (31 December 2020: 3.00%) growth rate which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 15.5% (31 December 2020: 18.38%) per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

As at 30 June 2022, based on the assessment result, the recoverable amount of RMB31,792,000 is less than the carrying amount of RMB37,422,000, impairment loss of RMB5,630,000 on its goodwill has been recognised for the period.

As at 31 December 2020, based on the assessment result, the recoverable amount of RMB62,353,000 is greater than the carrying amount of RMB60,349,000, no impairment loss on its goodwill has been recognised for the year. The recoverable amount of Data Centre CGU is estimated to exceed the carrying amount of the CGU at 31 December 2020 by RMB2,004,000. The recoverable amount of this CGU would be equal its carrying amount if the long term growth rate decrease from 3.00% to 1.68% and the pre-tax discount rate increase from 18.38% to 19.11%. The directors believe that any reasonably possible changes in other key assumptions on which recoverable amount is based would not cause the carrying amount of Data Centre CGU to exceed its recoverable amount.

20. LONG-TERM LOAN RECEIVABLES

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Long-term loan receivables	**50,000**	–

On 2 June 2021, the SPV Loan Agreement 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. The SPV is owned as to 50% by Cloud Knight, which in turn is wholly owned by Mr. Man Lap and as to 50% by Lightning Cloud, which in turn is wholly owned by Mr. Lai.

20. LONG-TERM LOAN RECEIVABLES (CONTINUED)

The tranche 1 of the loan amounting RMB50,000,000 was drawn on 10 August 2021. The loan is secured by the entire issued share capital of Cloud Knight and Lightning Cloud and guaranteed by Mr. Man and Mr. Lai with interest rate of 6% per annum and repayable on or before 30 months from the drawdown date of the tranche 1 of the loan.

The directors of the Company monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness.

As at 30 June 2022, the Group elected general approach to measure ECLs on loan receivable using probability default model. Since the ECLs was immaterial, no loss allowance is made during the period ended 30 June 2022.

The maturity profile of loan receivables net of allowance at the end of reporting period, analysed by the remaining period to the contractual maturity date is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Within one year	**–**	–
In the second year	**50,000**	–
	50,000	–

21. INVENTORIES

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Raw materials	**3,031**	2,975
Work in progress	**621**	3,024
Finished goods	**7,099**	9,668
	10,751	15,667

During period ended 30 June 2022, the Group has written down RMB4,924,000 (31 December 2020: RMB4,756,000) of its finished goods. The written down has been included in cost of sales.

22. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000	As at 1 January 2020 RMB'000
Contract assets	**30,193**	2,668	3,432
Contract liabilities	**33,641**	2,882	3,810
Contract receivables (included in trade receivables)	**11,883**	13,476	11,713

Transaction prices allocated to performance obligations unsatisfied at end of period/year and expected to be recognised as revenue in:

— one year	**N/A**	2,882
— one to two years	**33,641**	–
	33,641	2,882

22. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Revenue recognised in the period/year that was included in contract liabilities at beginning of period/year	**1,784**	3,713

Significant changes in contract assets and contract liabilities during the period/year:

	As at 30 June 2022		As at 31 December 2020	
	Contract assets RMB'000	**Contract liabilities RMB'000**	Contract assets RMB'000	Contract liabilities RMB'000
Increase due to operations in the period/year	**28,354**	**32,543**	452	2,785
Transfer of contract assets to receivables	**(1,078)**	**–**	(1,448)	–
Transfer of contract liabilities to revenue	**–**	**(1,784)**	–	(3,713)
Unwinding QADs with significant financing component brought forward from prior years	**249**	**–**	232	–

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

As at 30 June 2022, the Group elected simplified approach to measure lifetime ECLs on contract assets using probability default model. Since the difference was immaterial to the financial statements, no impairment loss was provided for contract assets during the period ended 30 June 2022 and year ended 31 December 2020.

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

23. TRADE, LEASE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Trade receivables (Note (a))	**11,883**	13,476
Lease receivables (Note (b))	**6,741**	2,010
Other receivables (Note (c))	**25,772**	15,490
Deposits	**2,365**	836
Prepayments (Note (d))	**26,374**	31,184
	73,135	62,996
Less: loss allowance	**(11,198)**	(4,176)
	61,937	58,820

(a) Trade receivables

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Trade receivables, gross	**11,883**	13,476
Less: loss allowance	**(6,975)**	(3,679)
Trade receivables, net	**4,908**	9,797

As at 30 June 2022, included in gross trade receivables are trade receivables of RMB8,258,000 (31 December 2020: RMB11,615,000) and QAD receivables of RMB1,643,000 (31 December 2020: RMB1,448,000) from office furniture segment. The credit periods on sales of goods for customers are normally within 30 days or up to 180 days from invoice date depends on contract terms.

As at 30 June 2022, included in gross trade receivables are trade receivables of RMB1,982,000 (31 December 2020: RMB413,000) from data centre segment. The credit periods on service contacts with customers are normally within 30 days or up to 90 days from invoice date depends on contract terms.

The aging analysis of trade receivables as of the end of reporting period, based on invoice dates, is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Within 3 months	**3,703**	7,545
More than 3 months	**8,180**	5,931
	11,883	13,476

23. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

The aging analysis of trade receivables, net of allowance, as of the end of reporting period, based on invoices dares, is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Current (not past due)	2,994	3,523
Less than 1 month past due	770	1,120
1 to 3 months past due	296	3,406
More than 3 months but less than 6 months past due	464	426
More than 6 months past due	384	1,322
	4,908	9,797

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

The movements in loss allowance of trade receivables were as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
At the beginning of the period/year	3,679	2,661
Loss allowance provision for the period/year	3,296	1,018
At the end of the period/year	6,975	3,679

As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for office furniture segment of RMB8,258,000 (31 December 2020: RMB11,615,000) using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

23. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
At 30 June 2022				
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

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
At 31 December 2020				
Current (not past due)	0.4	3,209	12	3,197
Less than 1 month past due	0.4	830	3	827
1 to 3 months past due	8.0	3,650	292	3,358
More than 3 months but less than 6 months past due	13.6	493	67	426
More than 6 months past due	73.5	3,433	2,523	910
		11,615	2,897	8,718

As at 30 June 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's QAD receivables for office furniture segment of RMB1,643,000 (31 December 2020: RMB1,448,000) using probability-default model. The ECL rate was 53.7% (31 December 2020: 54.0%) and the loss allowance as at period ended was RMB882,000 (31 December 2020: RMB782,000).

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% and the loss allowance as at period ended was RMB3,000. As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB413,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the year.

23. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(b) Lease receivables

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% and the loss allowance as at period ended was RMB78,000. As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB2,010,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the period/year.

(c) Other receivables

(i) As at 30 June 2022, among the other receivables, three (31 December 2020: two) debt instruments totaling RMB24,000,000 (31 December 2020:RMB10,000,000) were due from financial institutions and independent third party in the PRC. The balances are unsecured, interest-bearing from 7.1% to 12% (31 December 2020: 7.6%) per annum and repayable in from three to six months (31 December 2020: six months).

(ii) As at 30 June 2022, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB28,137,000 (31 December 2020: RMB16,326,000) using probability-default model and provided loss allowance of RMB576,000 (31 December 2020: RMB497,000) at the end of the period/year.

(d) Prepayments

(i) As at 30 June 2022, among the prepayments, approximately RMB19,902,000 (31 December 2020: RMB29,546,000) represented prepayments to suppliers for purchase of raw materials.

(ii) As at 30 June 2022, the Group applied general approach to measure ECLs on the Group's prepayment of RMB26,374,000 (31 December 2020: RMB31,184,000) using probability-default model and provided loss allowance of RMB3,569,000 (31 December 2020: RMB nil) at the end of the period/year.

24. CASH AND CASH EQUIVALENTS

As at 30 June 2022, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB19,591,000 (31 December 2020: RMB53,330,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25. TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Trade payables	**9,717**	7,465
Other payables and accruals (Note)	**19,780**	10,039
Other tax payables	**1,045**	3,652
	30,542	21,156

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Within 3 months	**5,707**	4,779
More than 3 months	**4,010**	2,686
	9,717	7,465

Note:

At 30 June 2022, included in other payables was RMB5,665,000 (31 December 2020: RMB6,665,000) due to the registered owner of WNT. The amount was unsecured, interest-free and repayable on demand.

26. BANK BORROWINGS

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Current — secured		
Bank borrowing	–	30,000

As at 31 December 2020, the Group's bank borrowing is repayable in six months, interest-bearing at 5.65% per annum and secured by the Group's buildings in property, plant and equipment amounted to RMB41,681,000 (Note 15) and leasehold land in right-of-use assets amounted to RMB13,754,000 (Note 16).

27. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Within one year	3,937	16,062	3,555	14,861
Between one and two years	3,857	5,111	3,719	4,602
Between two and five years	–	5,785	–	5,486
	7,794	26,958		
Less: Future finance charges	(520)	(2,009)		
Present value of lease liabilities	7,274	24,949	7,274	24,949
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,555)	(14,861)
Amount due for settlement after 12 months			3,719	10,088

At 30 June 2022, the average effective borrowing rate was 6.78%–7.48% (31 December 2020: 6.23%–7.48%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

28. CONVERTIBLE BONDS

On 15 January 2020, the Company issued zero coupon convertible bonds with a principal amount of HK$12,400,000 for the acquisition of Polyqueue Limited. The convertible bonds are denominated in HK$ 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. 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 convertible notes not converted will be redeemed on 6 February 2024 at 122% of their principal amount. Interest of 4% will be paid semi-annually. The convertible bonds shall be translated at the fixed exchange rate of US$1:HK$7.8.

The fair value of the liability component was determined at the issue date of the convertible bonds. The fair value of the liability component, include in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in convertible bond equity reserve.

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

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
At the beginning of the period/year	**7,041**	–
Increase during the period/year:		
Fair value of the convertible bonds	**65,710**	13,885
Less: transaction costs	**(1,815)**	–
Less: Amount classified as equity	**(14,880)**	(7,337)
Liability component on initial recognition	**49,015**	6,548
Interest expense	**7,833**	872
Interest paid	**(1,035)**	–
Exchange realignment	**1,981**	(379)
Liability component as at period/year ended	**64,835**	7,041

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 13.84%–14.50% to the liability component.

The principal amount of the convertible bonds as at 30 June 2022 is approximately RMB63,858,000 (31 December 2020: RMB10,441,000).

29. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year/period are as follows:

	Fair value adjustment on land and buildings *(Note (a))* RMB'000	Fair value adjustment on intangible asset *(Note (b))* RMB'000	Tax losses *(Note (b))* RMB'000	Total RMB'000
At 1 January 2020	(5,219)	–	–	(5,219)
Acquired through business combination	–	(3,406)	877	(2,529)
Credit/(charge) to profit and loss for the year	239	1,342	(877)	704
At 31 December 2020 and 1 January 2021	(4,980)	(2,064)	–	(7,044)
Credit to profit and loss for the period	357	2,064	–	2,421
At 30 June 2022	(4,623)	–	–	(4,623)

Notes:

(a) It represented deferred tax liabilities recognised on the fair value adjustment on buildings included in property, plant and equipment and leasehold land included in right-of-use assets arising from acquisition of a subsidiary in prior years.

(b) It represented the deferred tax liabilities recognised due to recognition of an intangible asset and deferred tax assets due to recognition of deductible temporary difference from tax loss arising from acquisition of Polyqueue Limited for the year ended 31 December 2020.

30. 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 the conditional share option deed (the " Share Option Deed") with Mr. Lai.

Details of the share options outstanding as at the end of the reporting period are as follows:

	As at 30 June 2022
Share options granted on 2 August 2021	100,000,000
Share options granted on 1 June 2022	2,000,000
	102,000,000

	As at 30 June 2022	
	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the period/year	–	–
Granted during the period/year	102,000,000	0.35
Lapsed during the period/year	–	–
Outstanding at the end of the period/year	102,000,000	0.35
Exercisable at the end of the period		
Share options granted on 2 August 2021	40,000,000	
Share options granted on 1 June 2022	2,000,000	
	42,000,000	

30. SHARE OPTION SCHEME (CONTINUED)

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 participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 January 2021	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Outstanding at 30 June 2022
Mr. Lai	2/8/2021	Nil	2/8/2021–1/8/2025	–	40,000,000	–	–	40,000,000
		2/8/2021–1/8/2022	2/8/2022–1/8/2025	–	30,000,000	–	–	30,000,000
		2/8/2021–1/8/2023	2/8/2023–1/8/2025	–	30,000,000	–	–	30,000,000
				–	100,000,000	–	–	100,000,000
Exercisable at the end of the period								40,000,000

30. SHARE OPTION SCHEME (CONTINUED)

Share Option Deed (continued)

The options outstanding at the end of the period have a remaining contractual life of 3.09 years and the exercise price is HK$0.35.

The fair value of the share options 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	2/8/2021
The closing price of the Company's shares quoted on the Stock Exchange at the date of grant	HK$0.395
Exercise price	HK$0.350
Risk-free interest	0.36%
Expected volatility	86.72%
Expected life	4 years
Expected dividend yield	N/A

Calculation of the value of the share options 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 period were incorporated into such measurement.

For the period ended 30 June 2022, the fair value of the share options granted by the Group on 2 August 2021 amounted to approximately HK$24,356,000 (in equivalent to RMB20,215,000). During the reporting period, an equity settled share-based payment expense of approximately RMB16,377,000 was recognised by the Group.

Share Option Scheme

On 1 June 2022, the Company entered into the share option agreement with Mr. Li, pursuant to which the Company has conditionally agreed to grant the options to Mr. Li in the consideration of HK$1.00, exercisable within the option period, such that Mr. Li shall be entitled to require the Company to allot and issue up to a maximum of 2,000,000 subscription shares at the subscription price upon and subject to the terms set out in the Share Option Scheme.

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

30. SHARE OPTION SCHEME (CONTINUED)

Share Option Scheme (continued)

The following illustrates the changes of shareholding of the Company for the reporting period resulting from the Share Option Deed:

Name of participant	Date of grant	Vesting period	Exercisable period	Outstanding at 1 January 2021	Granted during the reporting period of the period	Exercised during the reporting period of the period	Lapsed during the reporting period of the period	Outstanding at 30 June 2022
Mr. Li	1/6/2022	Nil	1/6/2022–31/5/2026	–	2,000,000	–	–	2,000,000
Exercisable at the end of the period								2,000,000

The options outstanding at the end of the period have a remaining contractual life of 3.92 years and the exercise price is HK$0.22.

The fair value of the share options 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	1/6/2022
The closing price of the Company's shares quoted on the Stock Exchange at the date of grant	HK$0.207
Exercise price	HK$0.220
Risk-free interest	2.34%
Expected volatility	84.84%
Expected life	4 years
Expected dividend yield	N/A

Calculation of the value of the share options 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 period were incorporated into such measurement.

For the period ended 30 June 2022, the fair value of the share options granted by the Group on 1 June 2022 amounted to approximately HK$239,000 (in equivalent to RMB198,000). During the reporting period, an equity settled share-based payment expense of approximately RMB198,000 was recognised by the Group.

31. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Authorised:		
Ordinary shares of HK$0.01 (31 December 2020: HK$0.01) each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2022	1,500,000,000	13,493
Issued and fully paid:		
Ordinary shares of HK$0.01 (31 December 2020: HK$0.01) each		
At 1 January 2020	804,000,000	7,100
Issues of consideration Shares	103,333,333	916
At 31 December 2020, 1 January 2021 and 30 June 2022	907,333,333	8,016

Note:

On 15 January 2020, the Company issued 103,333,333 shares as part of the consideration of HK$27,383,000 (equivalent to RMB24,286,000) for the acquisition of Polyqueue Limited ("Consideration Shares") of which HK$1,033,000 (equivalent to RMB916,000) represented the par value of the shares of the Company were credited to the Company's share capital and HK$26,350,000 (equivalent to RMB23,370,000) of the above per value of the shares were credited to the Company's share premium account.

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

31. SHARE CAPITAL (CONTINUED)

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising share capital and reserves.

The net debt-to-equity ratio at the end of reporting period was as follow:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Current liabilities		
Trade and other payables	**30,542**	21,156
Bank borrowings	**–**	30,000
Lease liabilities	**3,555**	14,861
	34,097	66,017
Non-current liabilities		
Lease liabilities	**3,719**	10,088
Convertible bonds	**64,835**	7,041
	68,554	17,129
Total debt	**102,651**	83,146
Less: Cash and cash equivalents	**(28,936)**	(64,552)
Net debt	**73,715**	18,594
Total equity	**127,921**	172,223
Net debt to equity ratio	**58%**	10.8%

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Non-current assets		
Investment in a subsidiary	**140,106**	168,921
Long-term loan receivables	**50,000**	–
	190,106	168,921
Current assets		
Trade, lease and other receivables	**1,394**	–
Cash and cash equivalents	**1,256**	10,343
	2,650	10,343
Net current assets	**2,650**	10,343
Total assets less current liabilities	**192,756**	179,264
Non-current liabilities		
Convertible bonds	**64,835**	7,041
NET ASSETS	**127,921**	172,223
Capital and reserves		
Share capital	**8,016**	8,016
Reserves	**119,905**	164,207
TOTAL EQUITY	**127,921**	172,223

33. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Convertible bonds equity reserve RMB'000	Share option reserve RMB'000	Foreign exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	163,826	–	–	1,295	(3,844)	161,277
Loss for the year	–	–	–	–	(22,741)	(22,741)
Other comprehensive expense: Exchange difference arising on translating of financial statements of the Company	–	–	–	(5,036)	–	(5,036)
Total comprehensive income for the year	–	–	–	(5,036)	(22,741)	(27,777)
Issue of consideration shares	23,370	–	–	–	–	23,370
Issue of convertible bonds	–	7,337	–	–	–	7,337
At 31 December 2020 and 1 January 2021	**187,196**	**7,337**	**–**	**(3,741)**	**(26,585)**	**164,207**
Loss for the period	**–**	**–**	**–**	**–**	**(74,941)**	**(74,941)**
Other comprehensive expense: Exchange difference arising on translating of financial statements of the Company	**–**	**–**	**–**	**(816)**	**–**	**(816)**
Total comprehensive income for the period	**–**	**–**	**–**	**(816)**	**(74,941)**	**(75,757)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**16,575**	**–**	**–**	**16,575**
Issue of convertible bonds	**–**	**14,880**	**–**	**–**	**–**	**14,880**
At 30 June 2022	**187,196**	**22,217**	**16,575**	**(4,557)**	**(101,526)**	**119,905**

33. RESERVES (CONTINUED)

(c) The nature and purposes of reserve within equity are as follows:

(i) **Share premium**

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(ii) **Convertible bonds equity reserve**

The convertible bonds equity reserve represents the fair value of the conversion options in the convertible bonds issued.

(iii) **Share option reserve**

The reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements where the Share Option Deed/Scheme has not yet been settled by member of an award of Shares to individuals.

(iv) **Other reserve**

The other reserve of the Group represents the difference between the total equity of the subsidiaries and the aggregated share capital of the subsidiaries pursuant to the Reorganisation where the transfer of the subsidiaries to the Company were satisfied by issue of new shares from the Company.

(v) **Statutory reserve**

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, the subsidiaries are required to appropriate 10% of their annual net profits of the PRC subsidiary, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the subsidiary, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

(vi) **Foreign exchange reserve**

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(vii) **Accumulated loss**

Cumulative net gains and losses recognised in profit or loss.

34. PLEDGE OF ASSETS

The following assets of the Group were pledged at end of the reporting period:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Buildings	**38,284**	41,681
Leasehold land	**13,242**	13,754
	51,526	55,435

35. CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 June 2022 and 31 December 2020.

36. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2022 and 31 December 2020.

37. RELATED PARTY TRANSACTIONS

(a) The Group had the following balance with a related company at the end of the reporting period:

	As at 30 June 2022 RMB'000	As at 31 December 2020 RMB'000
Amount due from a related company:		
Long-term loan receivables — Mega Data Investment Ltd.	**50,000**	–
Interest receivables — Mega Data Investment Ltd.	**1,490**	–
	51,490	–

A director, Mr. Lai, has control over the related company.

37. RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) The Group entered into the following transaction with a related party during the period/year:

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Interest income from Mega Data Investment Ltd.	**2,693**	–
Interest income from Gu'an Fu'ai Electronics Co. Ltd.	**1,674**	–
Buildout management service income from Gu'an Fu'ai Electronics Co. Ltd.	**60,772**	–

A director, Mr. Lai, has control over the related companies.

(c) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other key management of the Group. The key management personnel compensations are as follows:

	1/1/2021 to 30/6/2022 RMB'000	1/1/2020 to 31/12/2020 RMB'000
Fees	**712**	428
Salaries, allowance and benefits in kind	**3,136**	2,196
Pension scheme contributions	**805**	52
Equity-settled share option expenses	**16,546**	–
	21,199	2,676

38. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 30 June 2022 are set out below:

Name of entity	Place of incorporation and form of business structure	Issued and fully paid-up ordinary share capital or registered capital	Equity interest attributable to the Company Directly	Equity interest attributable to the Company Indirectly	Principal activities and principal place of business
Smart Raise Holdings Limited	The British Virgin Islands ("BVI"), limited liabilities company	20,000 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong
Smart Raise (Hong Kong) Limited	Hong Kong, limited liabilities company	HK$76,087,308 divided into 20,000 ordinary shares	–	100%	Investment holding, Hong Kong
四川青田家俱實業有限公司 (Note a)	The PRC, limited liabilities company	RMB61,000,000	–	100%	Manufacture and sale of office furniture products, the PRC
成都頤事順達貿易有限公司 (Note b)	The PRC, limited liabilities company	RMB1,000,000	–	100%	Trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels, the PRC
Polyqueue Limited	The BVI, limited liabilities company	110 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong
ITO Express Limited	Hong Kong, limited liabilities company	HK$1,000,000 divided into 10,000,000 ordinary shares	–	100%	Buildout management services, the PRC
Beijing Wannuochi (Note a)	The PRC, limited liabilities company	HK$150,000	–	100%	Data centre business, the PRC
WNT (Note b)	The PRC, limited liabilities company	RMB2,004,050	–	100% (Note c)	Data centre business, the PRC

Notes:

(a) The subsidiary is wholly foreign owned enterprise with limited liability.

(b) The subsidiary is wholly owned domestic company with limited liability.

(c) The Group held 50% of its equity interest. The remaining 50% of interest existed by the virtue of the Structured Contracts.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year/period:

	Bank borrowing RMB'000	Lease liabilities RMB'000	Liability component of convertible bonds RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2020	–	2,032	–	2,032
Changes in cash flows	28,370	(15,060)	–	13,310
Non-cash changes				
— additions	–	1,676	6,548	8,224
— acquisition on business combination	–	36,343	–	36,343
— Covid-19 related rent concession	–	(172)	–	(172)
— Lease termination	–	(1,944)	–	(1,944)
— interest charged	1,630	2,074	872	4,576
— Exchange realignment	–	–	(379)	(379)
At 31 December 2020 and 1 January 2021	**30,000**	**24,949**	**7,041**	**61,990**
Changes in cash flows	**(30,067)**	**(19,164)**	**49,052**	**(179)**
Non-cash changes				
— Share-based payment arising from issue of convertible bonds	**–**	**–**	**13,808**	**13,808**
— Less: Amount classified as equity	**–**	**–**	**(14,880)**	**(14,880)**
— interest charged	**67**	**1,489**	**7,833**	**9,389**
— Exchange realignment	**–**	**–**	**1,981**	**1,981**
At 30 June 2022	**–**	**7,274**	**64,835**	**72,109**

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 September 2022.

FINANCIAL SUMMARY

	For the year ended 31 December				For the 18 months ended 30 June
	2017	2018	2019	2020	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	96,959	74,866	48,610	82,419	**172,511**
Profit/(loss) for the year attributable to the owners of the Company	9,573	4,979	(16,471)	(26,953)	**(73,738)**
Total comprehensive income/(expense) for the year attributable to the owners of the Company	8,740	5,021	(16,079)	(27,777)	**(75,757)**

Assets and Liabilities	As at 31 December				**As at 30 June**
	2017	2018	2019	2020	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	182,492	178,325	190,717	265,297	**269,810**
Total liabilities	(29,840)	(20,814)	(22,340)	(93,074)	**(141,889)**
Net assets	152,652	157,511	168,377	172,223	**127,921**

The summary above does not form part of the audited consolidated financial statements.