

# FINANCIAL RESULTS

## SUMMARY

- The Group recorded revenue of approximately RMB16.0 million for the three months ended 31 March 2020, representing an increase of approximately 106.9% as compared to the same period of the previous year. Among which, the increase in revenue amounted to approximately RMB5.2 million due to the acquisition of Polyqueue Limited consolidated into consolidated statements.
- The Group recorded a loss of approximately RMB5.0 million for the three months ended 31 March 2020, as compared with a loss of approximately RMB1.5 million for the same period of the previous year. The increase in loss was mainly attributable to: the significant increase in administrative expenses, selling and distribution expenses and finance costs for the three months ended 31 March 2020 as compared to the same period of the previous year.
- The basic loss per share for the three months ended 31 March 2020 was approximately RMB0.56 cent, while the basic loss per share for the same period of the previous year was approximately RMB0.22 cent.

## FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited consolidated results of the Group for the three months ended 31 March 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

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

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	For the three months ended 31 March	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	16,016	7,741
Cost of sales		(12,595)	(5,315)
Gross profit		3,421	2,426
Other income	4	727	71
Selling and distribution expenses		(1,982)	(1,269)
Administrative and other expenses		(6,246)	(2,762)
Finance costs	5	(952)	–
<b>Loss before income tax</b>		<b>(5,032)</b>	<b>(1,534)</b>
Income tax credit	6	42	59
Loss for the period attributable to the owners of the Company		<b>(4,990)</b>	<b>(1,475)</b>
Other comprehensive (loss)/income for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(1,137)	18
Total comprehensive loss for the period attributable to the owners of the Company		<b>(6,127)</b>	<b>(1,457)</b>
Loss per share			
— Basic and diluted (RMB cents)	8	<b>(0.56)</b>	(0.22)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Share capital		Convertible bond reserve	Other reserve	Statutory reserve	Foreign Exchange reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019								
(Audited, restated)	5,923	137,989	-	(11,131)	4,158	(8,971)	29,474	157,442
Loss for the period	-	-	-	-	-	-	(1,475)	(1,475)
Other comprehensive income:								
Exchange difference arising on translating of foreign operations	-	-	-	-	-	18	-	18
Total comprehensive expense for the period	-	-	-	-	-	18	(1,475)	(1,457)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
As at 31 March 2019								
(Unaudited)	5,923	137,989	-	(11,131)	4,158	(8,953)	27,999	155,985
As at 1 January 2020								
(Audited)	7,100	163,826	-	(11,131)	4,158	(8,579)	13,003	168,377
Loss for the period	-	-	-	-	-	-	(4,990)	(4,990)
Other comprehensive income:								
Exchange difference arising on translating of foreign operations	-	-	-	-	-	(1,137)	-	(1,137)
Total comprehensive expense for the period	-	-	-	-	-	(1,137)	(4,990)	(6,127)
Issue of shares upon the Placing (Note 9)	917	23,370	-	-	-	-	-	24,287
Convertible bond reserve (Note 9)	-	-	9,339	-	-	-	-	9,339
Transfer to statutory reserve	-	-	-	-	80	-	(80)	-
As at 31 March 2020								
(Unaudited)	8,017	187,196	9,339	(11,131)	4,238	(9,716)	7,933	195,876



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 4 March 2016. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is at Room 747, 7/F, Star House, 3 Salisbury Road, Kowloon, Hong Kong and its headquarters is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. The Group is principally engaged in the manufacture and sales of furniture products in the PRC; and started to engage in data centre business in the PRC, as detailed in note 9, after completion of the acquisition of the entire issued share capital of Polyqueue Limited on 15 January 2020.

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

## 2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2019 and 2020 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the GEM.

Other than the adoption of the new and revised HKFRSs during the accounting period from 1 January 2020, the basis of preparation and accounting policies adopted in the preparation of such unaudited condensed consolidated financial statements are the same as those followed in the preparation of the annual financial statements for the year ended 31 December 2019.

The application of the new and revised HKFRSs has no material impact on such unaudited condensed consolidated financial statements. The Group did not adopt the new and revised HKFRSs which had been issued but had not yet entered into force during the current accounting period of the Group.

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

## 3. REVENUE

Since the acquisition of Polyqueue Limited on 15 January 2020, the Group's revenue is mainly divided into sale of furniture products and data centre business, and the analysis is as follows:

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of furniture products	10,782	7,741
Data centre business	5,234	
	16,016	7,741

## 4. OTHER INCOME

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	22	12
Interest income from other receivables	414	–
Interest income arising from unwinding contract assets with significant financing components	77	59
Dividend income from financial assets at fair value through profit or loss	160	–
Fair value changes on financial assets at fair value through profit or loss	8	–
Others	46	–
	727	71

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

## 5. FINANCE COSTS

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	382	–
Interest expense on lease liabilities	570	–
	952	–

## 6. INCOME TAX CREDIT

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
— Tax for the period	–	–
Deferred tax		
— Current period from January to March	42	59
	42	59

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

No Hong Kong profit 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 three months ended 31 March 2020 and 2019.

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: Nil). No shareholder has agreed to waive dividends.

## 8. LOSS PER SHARE

The loss per share is calculated by dividing loss attributable to the owners of the Company by the weighted average number of 890,300,366 and 670,000,000 ordinary shares in issue for the three months ended 31 March 2020 and 2019.

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The loss used to calculate the basic loss per share for three months	<b>(4,990)</b>	(1,475)
	<b>'000 shares</b>	'000 shares
Number of shares: Number of shares used to calculate the basic loss per share	<b>890,300</b>	670,000

Note: The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the three months ended 31 March 2020 of approximately RMB4.990 million (for the three months ended 31 March 2019: a loss of approximately RMB1.475 million), and on the weighted average number of 890,300,366 ordinary shares of the Company in issue (2019: 670,000,000 ordinary shares of the Company in issue for the year ended 31 March 2019).

There were no dilutive potential ordinary shares in issue for the three months ended 31 March 2020 and 2019. Accordingly, the diluted loss per share presented are the same as basic loss per share.



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

## 9. ACQUISITION OF A SUBSIDIARY, POLYQUEUE LIMITED

On 21 October 2019, the Group and Polyqueue Limited entered into the sale and purchase agreement for the acquisition of the entire equity interests of Polyqueue Limited (the “**Acquisition**”). The Acquisition was completed on 15 January 2020 (the “**Acquisition Date**”). Upon completion, Polyqueue Limited has become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group from this quarter.

Polyqueue Limited and its subsidiaries are principally engaged in the data centre business in the PRC.

On the Acquisition Date, the total consideration of HK\$37,200,000 (the “**Consideration**”) of the Acquisition was satisfied in the following manner:

- (i) a sum of HK\$24,800,000 was satisfied by the Company to the vendors by allotting and issuing an aggregate number of 103,333,333 consideration shares (the “**Consideration Share(s)**”) of the Company, credited as fully paid, to the vendors at the issue price of HK\$0.24 per Consideration Share;
- (ii) the balance of HK\$12,400,000 was satisfied by the Company to the vendors by issuing to the vendors the convertible bonds (the “**Convertible Bonds**”), convertible into conversion shares at the initial conversion price of HK\$0.24 per conversion share.



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2020

The following table is the goodwill generated after the completion of the Acquisition:

	Fair value on the Acquisition Date RMB'000
Right-of-use assets	32,952
Intangible assets	13,095
Trade and other receivables	10,069
Cash and cash equivalents	948
Trade and other payables	(9,672)
Lease liabilities — current portion	(12,686)
Lease liabilities — non-current portion	(27,116)
Deferred tax liabilities	(1,561)
Net identifiable assets acquired	6,029
Goodwill	35,883
	41,912

Consideration paid in the following ways:

Issue of Consideration Shares	24,287
Issue of Convertible Bonds:	
— Liabilities portion	8,286
— Equity portion	9,339
	41,912

On 15 January 2020, the shares issued for the Acquisition of Polyqueue Limited of HK\$1,033,333 represented the par value of the shares of the Company and were credited to the Company's share capital. The assessed fair value of HK\$26,350,000 of the above shares were credited to the Company's share premium account. The equity portion of Convertible Bonds issued of HK\$12,400,000 was transferred to convertible bonds reserve based on its assessed fair value of HK\$10,529,671.

From the Acquisition Date to 31 March 2020, Polyqueue Limited contributed approximately RMB5.2 million to the Group's revenue and approximately RMB0.3 million to the Group's profits.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of furniture products in the PRC 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 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.

### Manufacture and sale of furniture business

During the first three months of 2020, due to the novel coronavirus pneumonia epidemic situation, various furniture biddings were almost shut down. In this case, it was difficult for the Company to obtain new orders. Moreover, resumption of work and production was delayed, and certain affected workers were unable to return to the factories. The supply chain was not smooth with disruption of customer order delivery, leading to delayed delivery of products in the first half of the year and significant drop in production capacity of the Group. In order to ensure that the customer orders are delivered as scheduled, the Company allocated resources in all aspects, and at the cost of higher travel expenses, installation and handling fees and loading and unloading fees, it finally overcame many difficulties and achieved relatively considerable revenue.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Data centre business

The Group completed the acquisition of Polyqueue Limited on 15 January 2020. Financial results of Polyqueue Limited were consolidated into the consolidated financial statements of the Group from this quarter. Since the current revenue of the company is mainly the rental income from server rack rentals and the signed rental contracts involve continuity before expiration, the impact of the novel coronavirus pneumonia epidemic on its financial results is relatively small. However, the epidemic situation still has an important impact on the long-term development of new customers. From the Acquisition Date to 31 March 2020, Polyqueue Limited contributed approximately RMB5.2 million to the Group's revenue and approximately RMB0.3 million to the profits.

For the three months ended 31 March 2020, the Group recorded a revenue of approximately RMB16.0 million, representing an increase of approximately RMB8.3 million or approximately 106.9%. For the three months ended 31 March 2020, the Group recorded a loss of approximately RMB5.0 million, as compared with the loss of approximately RMB1.5 million for the same period of the last year.

## Prospects

Looking forward, despite the significant regression of the Group's performance in the past two years, together with the impact of novel coronavirus epidemic this year, and that the Group expects that its operation in the next one or two years will still be under great challenges and pressures, the Group has no intention to reduce the scale of its furniture business and still continues to regard the furniture market as its main development direction, without considering plans to withdraw from the furniture market or restructuring. Despite the increasing competition in the overall furniture market and the further reshuffling of the market, the Company is confident that by virtue of its own advantages, it will further stabilize the Southwest market first, and expand markets outside the Southwest region in a timely manner when conditions are available.



## MANAGEMENT DISCUSSION AND ANALYSIS

Since March, various furniture biddings have gradually recovered. The Company will actively participate in the biddings and work closely with suppliers to speed up the delivery of raw materials and maintain contact with customers to adjust the delivery schedule, so as to minimize the negative economic impact on both parties. Under the impact of novel coronavirus epidemic, the Company is currently implementing those major furniture sale and purchase agreements mentioned in the circular dated 13 December 2019 and conducting renegotiation with relevant customers on the contract amount, delivery time and other terms. From current communication, it is inevitable to postpone the contract execution. It takes time for our customers to determine whether the contract amounts remain unchanged with reference to their own operation and development. As of 31 March 2020, none of our customers has explicitly proposed to cancel their contracts.

In addition to the various major furniture sale and purchase agreements mentioned in the above circular, from the date of the circular up to 31 March 2020, by active participation in various biddings, the Group entered into a number of furniture sale and purchase agreements of more than RMB500,000 with various customers, with a total amount of approximately RMB19.9 million. This clearly showed that the Group operates its furniture business as usual, and the introduction of side business is a strategy to expand the Group's revenue source in order to support the development of furniture business. In the long run, the Group can withstand market fluctuations at different stages of the business and economic cycle.

### FINANCIAL REVIEW

#### Revenue

For the three months ended 31 March 2020, the Group achieved a revenue of approximately RMB16.0 million, representing an increase of approximately RMB8.3 million or approximately 106.9% as compared to the same period of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group completed the acquisition of the entire equity interests of Polyqueue Limited on 15 January 2020. Upon completion, Polyqueue Limited has become a wholly-owned subsidiary of the Company and its financial results has been consolidated into the consolidated financial statements of the Group from this quarter. The company and its subsidiaries are principally engaged in the data centre business in the PRC. From the Acquisition Date to 31 March 2020, revenue generated was approximately RMB5.2 million.

Excluding the above acquisition factors, for the three months ended 31 March 2020, the Group achieved a revenue from sales of furniture products of approximately RMB10.8 million, representing an increase of approximately RMB3.1 million or approximately 39.3% as compared with the same period of 2019.

### Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of goods purchased; (iii) labour costs; (iv) production overheads such as depreciation, utilities bills and maintenance fee; and (v) rental cost and electricity cost of storage rack for data centre business. For the three months ended 31 March 2020, the Group's cost of sales amounted to approximately RMB12.6 million, representing an increase of approximately RMB7.3 million or approximately 137.0% as compared to the same period of the last year. Among which, Polyqueue Limited, newly acquired by the Group, incurred a cost of approximately RMB3.3 million from the Acquisition Date to 31 March 2020. Excluding the above factor, the cost of sales for the furniture business for the three months ended 31 March 2020 was approximately RMB9.3 million, representing an increase of approximately RMB4.0 million or approximately 74.0%. The cost of sales increased with the increase in sales. However, gross profit margin decreased significantly due to the fact that the increase in cost of sales outweighed the increase in revenue. Analysis was done based on the cost of sales, among them (i) the increase in the cost of raw materials used and cost of goods purchased of approximately RMB3.4 million; (ii) an increase in salary of production staff of approximately RMB0.3 million; and (iii) a decrease in other production expenses of approximately RMB0.3 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit

Gross profit increased from approximately RMB2.4 million for the same period of the last year to approximately RMB3.4 million for the three months ended 31 March 2020. Among which, Polyqueue Limited, newly acquired by the Group, achieved gross profit of approximately RMB1.9 million from the Acquisition Date to 31 March 2020. Excluding the above factor, gross profit decreased approximately 36.8% year-on-year, while gross profit margin from furniture decreased from approximately 31.3% for the same period of the last year to approximately 14.2% for the three months ended 31 March 2020. The decrease in gross profit margin was mainly attributable to (i) the overall weakened demand for furniture business and increasing market competition, the Group decided to improve the hit rate in biddings by appropriately reducing gross profit of the projects and other measures; (ii) under the impact of novel coronavirus epidemic, staff cost of the Company increased by approximately RMB0.3 million as compared with the same period of the last year; and (iii) an increase in other production expenses of approximately RMB0.3 million.

### Other income

For the three months ended 31 March 2020, the Group's other income amounted to approximately RMB727,000, representing an increase of approximately 923.9% from approximately RMB71,000 for the same period of the last year. Among which, Polyqueue Limited, newly acquired by the Group, achieved other income of approximately RMB12,000 from the Acquisition Date to 31 March 2020. Excluding the above factor, other income increased by approximately 906.6% year-on-year. Such increase was mainly because the Group included interest income from other receivables for the three months ended 31 March 2020 together with the dividend income from financial assets at fair value through profit or loss during this reporting period while there was no such income for the same period in 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling and distribution expenses

For the three months ended 31 March 2020, the Group's selling and distribution expenses amounted to approximately RMB2.0 million, representing an increase of approximately 56.2% from approximately RMB1.3 million for the same period of the last year. Among which, Polyqueue Limited, newly acquired by the Group, incurred selling expenses of approximately RMB0.1 million from the Acquisition Date to 31 March 2020. Excluding the above factor, the selling and distribution expenses increased by approximately 48.1% year-on-year. Such increase was mainly because the installation and handling fees, loading and unloading expenses and travel expenses incurred during the reporting period significantly increased from the same period of the last year since the Company tried to deliver customer orders as schedule under the impact of novel coronavirus epidemic.

## Administrative and other expenses

For the three months ended 31 March 2020, the Group's administrative and other expenses amounted to approximately RMB6.2 million, representing an increase of approximately 126.1% from approximately RMB2.8 million for the same period of the last year. Among which, Polyqueue Limited, newly acquired by the Group, incurred administrative and other expenses of approximately RMB0.9 million from the Acquisition Date to 31 March 2020. Excluding the above factor, the administrative and other expenses increased by approximately 92.0% year-on-year. Such increase was mainly attributable to (i) the amortization of intangible assets of approximately RMB1.1 million incurred from the acquisition of Polyqueue Limited; (ii) the addition of legal professional charges of approximately RMB0.6 million in respect of the acquisition of Polyqueue Limited; (iii) the increase in loss allowances for trade receivables of the Group of approximately RMB0.6 million; and (iv) the significant increase in purchase of epidemic prevention materials and employee welfare expenses due to the novel coronavirus epidemic.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

For the three months ended 31 March 2020, the Group's finance costs amounted to approximately RMB1.0 million while there was no finance cost for the same period of the last year. Among which, Polyqueue Limited, newly acquired by the Group, incurred finance cost of approximately RMB0.6 million from the Acquisition Date to 31 March 2020. It was mainly due to the adoption of new HKFRS 16 for leases to recognize lease commitments as liabilities and amortize as interest expenses during the lease term. Excluding the above factor, the increase in the Group's finance costs was mainly attributable to the interest generated from the working capital loans obtained from China Citic Bank on 10 January 2020.

## Income tax expense

For the three months ended 31 March 2020, the Group's income tax credit was approximately RMB0.04 million, while the income tax credit was approximately RMB0.06 million for the same period of the last year. Among which, Polyqueue Limited, newly acquired by the Group, derived profits but was not required to pay income tax due to the compensation for the loss for the previous years. The income tax credit for the two years was due to (i) the Group was not subject to income tax as it incurred loss during the respective period; and (ii) deferred tax credit in respect of fair value adjustment arising from the acquisition of a subsidiary in prior year.

## PLEDGE OF ASSETS

As at the date of this report, the land use rights and property of the Group's production facilities in Chengdu City were pledged as security for the working capital loans from China Citic Bank on 10 January 2020 in the amount of RMB30.0 million for the term of one year. Other than that, the Group had no asset pledge agreement.



# MANAGEMENT DISCUSSION AND ANALYSIS

## DISCLOSURE OF INTERESTS

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

As at 31 March 2020, 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 SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by Directors were as follows:

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Percentage of shareholdings
Mr. Yi Cong	Interest of spouse (Note 1)	116,580,000 (Long position)	12.85%

Notes:

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



## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at the date of this report, none of the Directors and the chief executive of the Company has 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 SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by Directors.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 March 2020, 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares held/interested	Percentage of shareholdings
Sun Universal Limited ("Sun Universal")	Beneficial owner	245,300,400 (Long position)	27.04%
Mr. Ma Gary Ming Fai ("Mr. Ma")	Interest in a controlled corporation (Note 1)	245,300,400 (Long position)	27.04%
Ms. Hung Fung King Margaret	Interest of spouse (Note 2)	245,300,400 (Long position)	27.04%
Brilliant Talent Global Limited	Beneficial owner (Note 3)	116,580,000 (Long position)	12.85%
Ms. Zhang Gui Hong	Interest in a controlled corporation (Note 3)	116,580,000 (Long position)	12.85%
Billion Eggs Limited and its associates	Beneficial owner (Note 4)	102,726,467 (Long position)	11.32%
Ms. Grace Wahyuni Sardjono	Interest in a controlled corporation (Note 4)	102,726,467 (Long position)	11.32%
Mr. Man Chin	Interest of spouse (Note 4)	102,726,467 (Long position)	11.32%



## MANAGEMENT DISCUSSION AND ANALYSIS

Note:

1. The shares are held by Sun Universal, which is 100% owned by Mr. Ma. For the purpose of Part XV of the SFO, Mr. Ma is deemed to be interested in the shares held by Sun Universal.
2. Ms. Hung Fung King Margaret is the spouse of Mr. Ma. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the SFO.
3. The entire issued share capital of Brilliant Talent Global Limited is legally and beneficially owned by Ms. Zhang Gui Hong. Accordingly, Ms. Zhang Gui Hong is deemed to be interested in all the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.
4. Among 102,726,467 shares, 82,666,667 shares are held by Billion Eggs Limited, which is 100% owned by Ms. Grace Wahyuni Sardjono. For the purpose of Part XV of the SFO, Ms. Grace Wahyuni Sardjono is deemed to be interested in the shares held by Billion Eggs Limited; Mr. Man Chin, the spouse of Ms. Grace Wahyuni Sardjono, is interested in the remaining 20,059,800 shares through his controlled corporation. For the purpose of Part XV of the SFO, Mr. Man Chin is deemed to be interested in the shares held by the controlled corporation. Both Ms. Grace Wahyuni Sardjono and Mr. Man Chin are deemed to be interested in the shares held by their spouse for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 March 2020, the Directors have not been notified by any person who had interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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. As of 31 March 2020, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

## AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the three months ended 31 March 2020.

The Audit Committee is of the view that the unaudited consolidated results are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that the sufficient disclosure was made.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.68 of the GEM Listing Rules as its own code of conduct (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the three months ended 31 March 2020 and up to the date of this report.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to the date of this report, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of the Company’s listed securities.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE GOVERNANCE PRACTICES

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

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

Hong Kong, 8 May 2020

*As at the date of this report, the Board comprises Mr. Yi Cong and Mr. Liang Xing Jun as executive Directors; Mr. Luo Guoqiang as non-executive Director; and Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung as independent non-executive Directors.*