ZHI SHENG GROUP HOLDINGS LIMITED
智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8370)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2023

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are usually small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL RESULTS

The board of Directors of the Company (the "**Board**") is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 30 September 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2023

		For the three months ended 30 September	
		2023	2022
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Revenue	*4*	**10,559**	36,420
Cost of sales		**(9,027)**	(34,426)
Gross profit		**1,532**	1,994
Other income, net	*5*	**775**	1,651
Selling and distribution expenses		**(1,289)**	(2,023)
Administrative and other expenses		**(4,011)**	(5,105)
Impairment loss on assets		**(40)**	(850)
Operating loss		**(3,033)**	(4,333)
Finance costs	*6*	**(2,762)**	(2,436)
Loss before income tax		**(5,795)**	(6,769)
Income tax (expense)	*7*	**–**	(354)
Loss for the period attributable to the owners of the Company		**(5,795)**	(7,123)
Other comprehensive expense/(gain) after income tax for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(272)**	(3,559)
Total comprehensive expense for the period attributable to the owners of the Company		**(6,067)**	(10,682)
Loss per share	*9*		
— Basic and diluted (RMB cents)		**(0.64)**	(0.79)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2023

	Share capital RMB'000	Share premium RMB'000	Convertible bonds equity reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
As at 1 July 2022 (Audited)	8,016	187,196	22,217	16,575	(11,131)	4,608	(11,422)	(88,138)	127,921
Loss for the period	–	–	–	–	–	–	–	(7,123)	(7,123)
Other comprehensive income:									
Exchange difference arising on translating of foreign operations	–	–	–	–	–	–	(3,559)	–	(3,559)
Total comprehensive expense for the period	–	–	–	–	–	–	(3,559)	(7,123)	(10,682)
Recognition of shares based on share-based equity-settled payment expense	–	–	–	1,321	–	–	–	–	1,321
Transfer to statutory reserve	–	–	–	–	–	46	–	(46)	–
As at 30 September 2022 (Unaudited)	8,016	187,196	22,217	17,896	(11,131)	4,654	(14,981)	(95,307)	118,560
As at 1 July 2023 (Audited)	**8,016**	**187,196**	**22,217**	**20,179**	**(11,131)**	**4,758**	**(16,402)**	**(167,484)**	**47,349**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,795)**	**(5,795)**
Other comprehensive expense:									
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(272)**	**–**	**(272)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(272)**	**(5,795)**	**(6,067)**
Recognition of shares based on share-based equity-settled payment expense	**–**	**–**	**–**	**276**	**–**	**–**	**–**	**–**	**276**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
As at 30 September 2023 (Unaudited)	**8,016**	**187,196**	**22,217**	**20,455**	**(11,131)**	**4,758**	**(16,674)**	**(173,279)**	**41,558**

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2023

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

The financial period reported by the Group for the first quarter results of 2023/24 will cover the three months from 1 July 2023 to 30 September 2023, and the comparable data will cover the three months from 1 July 2022 to 30 September 2022.

The Group's unaudited condensed consolidated financial statements for the three months ended 30 September 2023 and the comparable figures for last year have not been audited, which have been prepared in accordance with Hong Kong Financial Reporting Standards 34 ("**HKFRS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and disclosure provisions under the GEM Listing Rules of the Stock Exchange.

Other than the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") during the accounting period from 1 July 2023, the basis of preparation and accounting policies adopted in the preparation of such unaudited condensed consolidated financial statements are the same as those followed in the preparation of the audited financial statements of the Group for the year ended 30 June 2023.

The adoption of the new and revised HKFRSs has no material impact on such unaudited condensed consolidated financial statements. The Group did not early 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.

3. SEGMENT REPORTING

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

For the three months ended 30 September 2023 (the "**Reporting Period**") and the corresponding period of last year, the Group has three reportable segments, which is manufacture and sale of furniture products, data centre business and buildout management service. The following summarises the operation of each reportable segment of the Group:

- Manufacture and sale of furniture products segment — manufacture and sale of furniture products in the PRC for selling to the domestic PRC market;

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

- Buildout management service segment — provide engineering and management service for buildout projects in the PRC.

(a) Reportable segment revenue and results

	Manufacture and sale of furniture products For the three months ended 30 September		Data centre For the three months ended 30 September		Buildout management service For the three months ended 30 September		Total For the three months ended 30 September	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	**2023 RMB'000 (Unaudited)**	2022 RMB'000 (Unaudited)	**2023 RMB'000 (Unaudited)**	2022 RMB'000 (Unaudited)	**2023 RMB'000 (Unaudited)**	2022 RMB'000 (Unaudited)
Segment revenue								
Sale of furniture products	**5,087**	8,439	**–**	–	**–**	–	**5,087**	8,439
Information technology management service	**–**	–	**124**	502	**–**	–	**124**	502
Internet access connection service	**–**	–	**53**	73	**–**	–	**53**	73
Data centre operating and security service	**–**	–	**42**	–	**–**	–	**42**	–
Rental of server racks	**–**	–	**5,253**	5,240	**–**	–	**5,253**	5,240
Buildout management service	**–**	–	**–**	–	**–**	22,166	**–**	22,166
	5,087	8,439	**5,472**	5,815	**–**	22,166	**10,559**	36,420
Segment results	**(2,532)**	(4,838)	**(198)**	213	**–**	1,550	**(2,730)**	(3,075)
Unallocated expenses							**(1,078)**	(2,142)
Other income							**712**	756
Interest expense on convertible bonds							**(2,699)**	(2,308)
Loss before income tax							**(5,795)**	(6,769)

The Group had no inter-segment transactions for the three months ended 30 September 2023 and the corresponding period of last year.

Unallocated expenses during the Reporting Period mainly include share-based equity-settled payments, expenses of the Group's office in Hong Kong, which were not directly attributable to the business activities of any operating segment.

(b) Other segment information

	Manufacture and sale of furniture products For the three months ended 30 September		Data centre For the three months ended 30 September		Buildout management service For the three months ended 30 September		Unallocated For the three months ended 30 September		Total For the three months ended 30 September	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Bank interest income	**7**	14	**52**	43	**–**	–	**32**	–	**91**	57
Interest income from other receivables	**–**	249	**–**	283	**–**	–	**–**	–	**–**	532
Interest income from loan receivables	**–**	–	**–**	–	**–**	–	**756**	756	**756**	756
Interest income arising from unwinding contract assets with significant financing component	**1**	59	**–**	–	**–**	–	**–**	–	**1**	59
Interest expense on lease liabilities	**–**	1	**63**	127	**–**	–	**–**	–	**63**	128
Interest expense on convertible bonds	**–**	–	**–**	–	**–**	–	**2,699**	2,308	**2,699**	2,308
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Depreciation of right-of-use assets	**–**	97	**831**	921	**–**	–	**–**	–	**831**	1,018
Depreciation of property, plant and equipment	**206**	1,228	**–**	–	**–**	–	**–**	–	**206**	1,228
Loss on written off and disposal of property, plant and equipment	**–**	6	**–**	–	**–**	–	**–**	–	**–**	67
Impairment loss on trade and other receivables	**40**	850	**–**	–	**–**	–	**–**	–	**40**	850
Addition to property, plant and equipment	**46**	720	**–**	–	**–**	–	**–**	–	**46**	720

(c) **Geographical information**

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

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from external customers		
The PRC	**10,545**	36,407
Hong Kong, the PRC	**14**	13
	10,559	36,420

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

(d) Information about major customer

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue. During the Reporting Period and the corresponding period of last year, revenue derived from segments of the customer A from manufacture and sale of furniture products, customer B and customer C from data centre and customer D from buildout management service are as follows:

	For the three months ended 30 September		
	2023	2022	**From reporting segment**
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Customer A	**1,654**	–	Manufacture and sale of furniture products
Customer B	**1,387**	N/A	Data centre
Customer C	**1,102**	N/A	Data centre
Customer D	**–**	22,166	Buildout management service

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

4. REVENUE

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customer within the scope of HKFRS 15		
Sale of furniture products	**5,087**	8,439
Information technology management service	**124**	502
Internet access connection service	**53**	73
Data centre operating and security service	**42**	–
Buildout management service	**–**	22,166
	5,306	31,180
Revenue from other sources		
Rental of server racks	**5,253**	5,240
	10,559	36,420

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

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	**5,087**	8,439
Over time	**219**	22,741
	5,306	31,180

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

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of furniture products	**5,087**	8,439
Data centre business	**5,472**	5,815
Buildout management service	**–**	22,166
	10,559	36,420

5. OTHER INCOME, NET

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income arising from unwinding contract assets with significant financing components	**1**	59
Bank interest income	**91**	57
Interest income from loan receivables	**756**	756
Exchange gain/(loss), net	**(76)**	–
Interest income from other receivables	**–**	532
Subsidy income and others	**3**	247
	775	1,651

6. FINANCE COSTS

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**63**	128
Interest expense on convertible bonds	**2,699**	2,308
	2,762	2,436

7. INCOME TAX EXPENSE/(CREDIT)

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
— Tax for the period	**–**	414
Deferred tax		
— Current period	**–**	(60)
	–	354

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

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

Provision for the enterprise income tax in the PRC was calculated on a statutory tax rate of 25% of the estimated assessable profit as determined in accordance with the relevant income tax law in the PRC. Pursuant to the "Notice on Implementing Inclusive Tax Reduction and Exemption Policy for Small and Micro Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》)", the Group's PRC entities are qualified as small and micro enterprises with an annual taxable income of RMB1 million or less, and are entitled to a 25% tax credit for their tax payable and at the tax rate of 20%.

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

8. DIVIDENDS

The Board does not recommend the payment of dividend for the results in respect of the first quarter for the three months ended 30 September 2023 (corresponding period in 2022: Nil). No shareholder has agreed to waive dividends.

9. LOSS PER SHARE

The loss per share is calculated by dividing loss attributable to the owners of the Company by the weighted average number of 907,333,333 and 907,333,333 ordinary shares in issue for the three months ended 30 September 2023 and the corresponding period of 2022.

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The loss used to calculate the basic loss per share	**(5,795)**	(7,123)
	'000 shares	'000 shares
Number of shares used to calculate the basic loss per share	**907,333**	907,333

Note: The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the Reporting Period of approximately RMB5.795 million (for the corresponding period of last year: a loss of approximately RMB7.123 million) and the weighted average number of 907,333,333 ordinary shares of the Company in issue (907,333,333 ordinary shares of the Company in issue for the corresponding period of last year).

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

10. CONVERTIBLE BONDS

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

On 6 August 2021 the Company issued convertible loan notes with a nominal value of US$8,000,000 at an interest rate of 4% per annum. 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 at maturity at 122% of their principal amount.

The fair value of the liability component was determined at the issue date of the convertible bonds and included in non-current financial liabilities, and 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.

As at the date of this announcement, since the convertible bonds mentioned above have not been converted by the holders thereof and all of them are due to expire in less than one year, the amounts reflected as long-term liabilities based on the fair value of the convertible bonds reclassified to the convertible bonds under current liabilities.

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

	As at 30 September 2023 RMB'000 (Unaudited)	As at 30 June 2023 RMB'000 (Audited)
As at the beginning of the period/year	**77,899**	64,835
Increase during the period/year:		
Interest expense	**2,698**	9,498
Interest paid	**(1,156)**	(2,213)
Exchange realignment	**303**	5,779
Liability component as at the end of period/year	**79,744**	77,899

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 September 2023 was approximately RMB69,493,000 (30 June 2023: RMB69,236,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of furniture products and sells its products to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province; the Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited* (四川青田家俱實業有限公司) ("**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 from 2020. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties. In June 2021, the Group commenced to carry out buildout management service business.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB5.1 million, representing a decrease of approximately RMB3.3 million or approximately 39.7% as compared to the corresponding period of last year. Despite the relaxation of COVID-19 lockdown and control policies in China by the end of 2022, the consumer confidence and economic recovery are weaker than anticipated, while the real estate and furniture markets remain very sluggish. As a result, their respective recovery is expected to take a longer time. In light of the extremely weak demand in the furniture industry as a whole due to the increasingly intensified market competition, customers are more inclined to exercise caution to purchase or replace furniture. There was no significant improvement in bidding activities across various regions, with the impact on the furniture industry worse than our previous expectations. In light of these circumstances, the Group has decided to concentrate resources on consolidating its market in the southwestern region, including Sichuan province. We actively seek to straighten out the supply chain relationships with customers and suppliers to ensure timely delivery of customer orders in Sichuan province. During the Reporting Period, due to a major customer's request for the delay in delivery, this batch of orders can not be recognised for sales at the end of the Reporting Period, which also had an impact on the revenue for the Reporting Period. Following the relaxation of the COVID-19 lockdown and control policies and gradual economic recovery, the Group is also actively exploring markets in other southwestern regions. However, no positive results have been achieved yet. Meanwhile, the Group exercises strict control over various costs, expenses and spending, strengthens inventory management to effectively reduce losses from slow movement of inventory, actively pursues the collection of significant overdue accounts receivable, and strives to mitigate the impact of various unfavourable factors, thereby yielding certain results.

Other matters during the Reporting Period
As mentioned in the report of the last financial year, the Group assisted Mr. Luo Jinyao (東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd.*) ("**Yaobang Group**") is controlled by Mr. Luo Jinyao, as a borrower (the "**Borrower**")) or his subsidiaries in obtaining the financing in connection with the pledge of properties such as land and buildings by our subsidiary Sichuan Greenland. However, due to the borrower's failure to make repayment on time, Sichuan Greenland has received a written notice from the state-owned financial institution(s) in the PRC (the "**Bank(s)**") demanding Sichuan Greenland to observe and fulfil its obligations under the pledge of a parcel of land and buildings located at Chengdu City provided by the Company. In response to the above matter, an impairment loss on assets of approximately RMB49.8 million has been provided by the Group in the last financial year. Meanwhile, the Group has been continuously in ongoing discussions with relevant parties such as the Borrower and the Bank on the possible solutions for the aforesaid matter to protect the interests of the Group. The Group is also seeking legal advice on the actions it may take in relation to repayment of the aforementioned loan and/or the said letter and notice and will take proactive actions to safeguard the Group's assets, interest and position. The Group has initiated legal proceedings in court regarding the aforementioned matter and has sought pre-litigation preservation of assets belonging to the Borrower and its subsidiaries, which were accepted by the court on 28 August 2023. Meanwhile, we will consider various possibilities and take effective measures to deploy the Group's resources to ensure the continued operation of our furniture manufacturing and sales business.

In addition, as disclosed in the 2022/23 annual report of the Company, the Company purchased three wealth management products issued by Zhongzhi Enterprise Group Co., Ltd.* (中植企業集團有限公司) or its subsidiaries ("**Zhongzhi Enterprise Group**") with an aggregate principal amount of RMB10 million which remaining outstanding as at the date of this announcement. Among which, one of the wealth management products with a principal amount of RMB4 million was overdue in August 2023 and one of the wealth management products with a principal amount of RMB3 million was overdue in October 2023 without being redeemed pursuant to the terms of the subscription agreement. Due to the higher risk of redemption associated with these three wealth management products, the Group has provided an investment loss of approximately RMB9.5 million based on the estimated fair value assessment in the last financial year. The Group will subsequently take legal measures, including litigation, arbitration, property preservation and negotiation, etc., to do its best to pursue liabilities for breach of contract from the issuer of the overdue products, to recover investment losses as much as possible, and to protect the interests of shareholders.

* *For identification purpose only*

Data centre business

During the Reporting Period, the Group achieved a revenue from the existing business of the data centre segment of approximately RMB5.5 million, representing a decrease of approximately RMB0.3 million or approximately 5.9% as compared to the corresponding period of last year. Although the current revenue from the data centre segment is mainly the rental income from server rack rentals, the business is relatively stable. As part of our business features, the customer attrition rate is comparatively low when a customer enters into a contract. However, due to the increasingly intensified market competition and the pessimistic sentiment caused by the prolonged three-year COVID-19 pandemic, some customer did not renew their leases upon expiry or were undergoing business downsizing. In this regard, the Group provides premium after-sales services, swiftly and efficiently addressing customer concerns and difficulties to increase customer loyalty. We make every effort to retain existing customers, and strive to uncover their potential and assist them in expansion and growth. Meanwhile, we actively explore new customer acquisition channels, which has yielded certain results. For the Reporting Period, the business of leasing server racks, data centre operating and security service increased slightly, but the revenue from information technology management service and internet access connection service decreased, resulting in a certain degree of decrease in overall revenue. On the other hand, we sought to negotiate a lower rental price with the suppliers to allow the Group to provide competitive prices flexibly and maintain competitiveness of the Company.

Buildout management service business

In June 2021, a subsidiary of the Company, WNT, entered into a buildout management agreement with Gu'an Fu'ai, to provide engineering and management services as construction manager for buildout construction works and the profit of the relevant business is recognised according to the progress of the buildout management project. As the buildout management projects in the previous stage were completed in the last financial year, the Group did not commence any new buildout management projects during the Reporting Period, and therefore no revenue in relation to the buildout management service was recognised (the corresponding period of last year: revenue of approximately RMB22.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group recorded a revenue of approximately RMB10.6 million, representing a decrease of approximately RMB25.8 million or approximately 71.0% as compared to the corresponding period of last year. During the Reporting Period, the Group recorded a loss of approximately RMB5.8 million, as compared with the loss of approximately RMB7.1 million recorded by the Group for the corresponding period of last year. For details on the decrease of loss and analysis of revenue, cost, fees and other indicators for the Reporting Period, please refer to the section headed "Financial Review" under "Management Discussion and Analysis" of this announcement.

PROSPECTS

Looking ahead, we will cautiously maintain an optimistic view of the market prospect in the future, despite the ongoing correction in the real estate market and the requirement for an expected longer recovery period in the furniture market. Firstly, we will focus our resources, actively seize opportunities, and strive to expand marketing channels, aiming to further recover and consolidate the southwestern market. In times of favourable conditions, we will expand into markets beyond the southwestern region in due course. Our sales team will actively broaden the Company's customer base by striving to acquire more customers in the hospitality and higher institution sectors through various avenues, while organising product briefings in our showrooms to attract direct orders from retail customers. In addition, we will consider investing in billboard and vehicle advertising to expand the Company's brand influence in key market development areas, and will actively explore the possibility of online sales to attract non-tender customers. We will continue to increase research and development, while creating differentiated values for customers so as to attract new customers and retain existing ones. In addition, the Group will seek to strike a balance between the market share and reasonable profit margins in the southwestern region, while strengthening the management and control of the supply chain. By constantly enhancing service capabilities and operational efficiency with various costs reduced, we strive to improve the current operating performance of the furniture segment. Therefore, we believe that in line with a gradual recovery in the demand for furniture, the Company's business performance will continue to recover steadily.

In terms of data centre business and buildout management services business, the Group, on one hand, will aggressively pursue our customer expansion by redoubling its publicity, promotion and marketing efforts, and strive to elevate the scale of its existing operations to the next level as quickly as possible. On the other hand, we strive to gain a competitive advantage in the supply price of machine enclosure leasing by strengthening cooperation with existing data centre operators, while seeking to establish a diversified supplier mechanism so as to prevent operational disruptions and maintain a stable profit forecast. Meanwhile, the Company will facilitate necessary conditions to provide diversified services that meet the different needs of customers, including network connectivity, data backup, disaster recovery, restoration, virtual hosting, cloud computing, and other services. By expanding the scope of our services, we will diversify the revenue streams.

Lastly, the Group will actively capitalise on strategic opportunities arising from the government's quest for the data centre development. While enhancing technological research and development, the Company will proactively pursue opportunities to boost its revenue by leveraging our experiences in the buildout management services. We will strive to establish our own data centre with proprietary rights at the earliest opportunity, reducing reliance on external suppliers and gradually enhancing the Company's competitive strengths.

We have been actively identifying opportunities of expanding the business scope of our Group in order to constantly enhance the profitability of our data centre services. By providing the buildout management services, WNT, has drawn the relevant experience and expertise from buildout construction works, which will become part of its track record and bring in more business opportunities. By taking advantage of these opportunities, WNT will be able to establish business networks with professional investors, contractors, and suppliers to further develop its data centre business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group achieved a revenue of approximately RMB10.6 million, representing a decrease of approximately RMB25.8 million or approximately 71.0% as compared to the corresponding period of last year. It was mainly attributable to nil revenue recognised from buildout management service segment for the Reporting Period, representing a decrease of approximately RMB22.2 million as compared to the corresponding period of 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 RMB5.1 million, representing a decrease of approximately RMB3.3 million or approximately 39.7% as compared to the corresponding period of last year, which was mainly attributable to the facts that:

(i) Revenue from the five southwestern provinces and regions such as Sichuan and Chongqing (including Chongqing Branch Office) decreased by approximately RMB3.3 million or approximately 39.9% as compared to the corresponding period of last year. During the Reporting Period, the sales revenue of Sichuan Province, Chongqing City, Guizhou Province and other Southwestern provinces decreased significantly as compared to the corresponding period of last year. As the market of the real estate and furniture industry remains very sluggish, it is expected that it will take longer time to recover. Due to the intensified market competition, the overall demand in the furniture industry was very weak, customers became more cautious in purchasing or replacing furniture, and the bidding activities in various places did not improve significantly. The impact on the furniture industry even exceeded our previous expectation. In addition, during the Reporting Period, due to a major customer's request for the delay in delivery, this batch of orders did not meet the conditions for sales at the end of the Reporting Period, which also had an impact on the revenue for the Reporting Period.

(ii) The sales data of other provinces and regions outside the five provinces in Southwestern China were relatively small in both years, mainly due to the impact of COVID-19 lockdown and control policies, the economic recovery in the post-pandemic period was weaker than expected, and related to the Company's operation strategy of focusing on the development of the five provinces in Southwestern China. Apart from the growth in Zhejiang Province, the revenue in Beijing and Guangdong Province decreased significantly as compared to corresponding period of last year.

Data centre segment: During the Reporting Period, revenue of approximately RMB5.5 million was generated from the original business of the data centre segment, representing a decrease of approximately RMB0.3 million or approximately 5.9% as compared to the corresponding period of last year. For the Reporting Period, the business of leasing server racks, data centre operating and security service increased slightly, but the revenue from information technology management service and internet access connection service decreased rapidly, resulting in a certain degree of decrease in overall revenue.

Buildout management service segment: as the buildout management projects in the previous stage were completed in the last financial year, the Group did not commence any new buildout management projects during the Reporting Period, and therefore no revenue in relation to the buildout management service was recognised (the corresponding period of last year: revenue of approximately RMB22.2 million). The decrease in revenue from the buildout management service segment was the main reason for the decrease in revenue of the Group.

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 RMB9.0 million, representing a decrease of approximately RMB25.4 million or approximately 73.8% as compared to approximately RMB34.4 million for the corresponding period of last year. Of which:

Manufacture and sale of furniture products segment: cost of sales for the Reporting Period was approximately RMB4.1 million, representing a decrease of approximately RMB4.9 million or approximately 54.8% as compared to the corresponding period of last year. The cost of sales dropped due to the decline in sales, but the decline in cost of sales was larger than the decline in revenue, resulting in a year-on-year increase in gross profit margin. Based on the composition analysis of cost of sales, of which: (i) a year-on-year decrease of approximately RMB4.2 million (during the Reporting Period, the provision for loss of inventories decreased by approximately RMB1.6 million as compared to the corresponding period of last year, further decreased the cost of materials) in the cost of raw materials used and products purchased; (ii) a year-on-year decrease of approximately RMB0.3 million in wages of production staff; and (iii) other production expenses decreased by approximately RMB0.4 million as compared to the corresponding period of last year, which was attributable to the fact that the plant and land of Sichuan Greenland had been impaired to zero in the last financial year. Therefore, no relevant depreciation was required for the year, resulting in a year-on-year decrease in depreciation of approximately RMB0.4 million.

Data centre segment: cost of sales of the existing business for the Reporting Period was approximately RMB5.0 million, representing a decrease of approximately RMB0.4 million or approximately 6.8% as compared to the corresponding period of last year, which was mainly attributable to the decrease in cost of sales as a result of the decrease in rental price offered after negotiation with suppliers for certain server racks with lease expiry.

Buildout management service segment: during the Reporting Period, the Group did not carry out projects in relation to buildout management service and therefore did not incur any cost for provision of buildout management services, while the cost for provision of buildout management services of approximately RMB20.1 million was recognised in the corresponding period of last year. The decrease in cost of this segment was the main reason for the decrease in the Group's cost.

Gross profit

Gross profit slightly increased to approximately RMB1.532 million for the Reporting Period from approximately RMB1.994 million for the corresponding period of last year. Of which:

Manufacture and sale of furniture products segment: gross profit for the Reporting Period was approximately RMB1.025 million, as compared to gross loss of approximately RMB546,000 for the corresponding period of last year. The gross profit margin from this segment increased from approximately negative 6.5% for the corresponding period of last year to approximately 20.1% for the Reporting Period. The increase in gross profit margin was mainly attributable to the decrease in cost of sales. The provision for inventory loss for the Reporting Period decreased by approximately RMB1.6 million as compared to the corresponding period of last year, resulting in a year-on-year increase of approximately 20.3% in gross profit margin during the Reporting Period. In addition, as the plant and land of Sichuan Greenland were impaired to zero in the last financial year, no relevant depreciation was required for the year, resulting in a year-on-year decrease of approximately RMB0.4 million in depreciation, which also greatly contributed to increase the gross profit margin.

Data centre segment: gross profit of the existing business for the Reporting Period was approximately RMB507,000. Gross profit increased by approximately RMB17,000 as compared to the corresponding period of last year. The increase in gross profit margin from approximately 8.4% for the corresponding period of last year to approximately 9.3% for the Reporting Period were mainly attributable to the decrease in rental price of server racks after negotiation with suppliers for the expired server racks, resulting in a decrease in cost of sales and an increase in gross profit margin.

Buildout management service segment: during the Reporting Period, the Group did not generate any revenue and costs from buildout management service, and therefore did not generate any gross profit from buildout management service, while the gross profit generated from buildout management service for the corresponding period of last year was approximately RMB2.05 million. The decrease in gross profit of this segment was the main reason for the decrease in gross profit of the Group.

Other income, net

During the Reporting Period, the Group's other income, net decreased by approximately 53.1% to approximately RMB0.775 million from approximately RMB1.651 million for the corresponding period of last year, which were mainly attributable to the decrease of interest income from other receivables during the Reporting Period and dividend income from financial assets at fair value through profit or loss as compared to the corresponding period of last year.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses decreased by approximately RMB0.7 million or approximately 36.3% from approximately RMB2.0 million to approximately RMB1.3 million as compared to the corresponding period of last year, of which: the data centre segment, the buildout management service segment did not incur any selling expenses during the Reporting Period. The decrease in the selling and distribution expenses of the manufacture and sale of furniture products segment was mainly due to the fact that: (i) the decrease of approximately RMB0.4 million in renovation expenses of showroom during the Reporting Period as compared to the corresponding period of last year; and (ii) the installation and delivery fees, loading and unloading expenses incurred increased since the Company wanted to ensure to deliver customer orders as scheduled under the impact of the power cut of Sichuan Province in August and the half-month lockdown of Sichuan Province in September under the novel coronavirus epidemic during the corresponding period of last year.

Administrative and other expenses

Administrative and other expenses of the Group during the Reporting Period decreased by approximately RMB1.9 million or approximately 32.0% from approximately RMB6.0 million to approximately RMB4.1 million, of which: administrative and other expenses of the data centre segment and buildout management service segment amounted to approximately RMB0.7 million, representing a decrease of approximately RMB0.3 million or approximately 29.8% as compared to the corresponding period of last year. The decreases were mainly attributable to the decrease in salary, legal and professional fees incurred during the Reporting Period. Excluding the administrative expenses incurred from the data centre segment and buildout management service segment, the Group's administrative and other expenses for the Reporting Period amounted to approximately RMB3.3 million, representing a decrease of approximately RMB1.6 million or approximately 32.4% as compared to the corresponding period of last year. The decreases were mainly attributable to the facts that: (i) the recognition of share-based equity settled payment expenses of the Company during the Reporting Period was decreased by approximately RMB1.1 million as compared to the corresponding period of last year; (ii) the decrease of approximately RMB0.8 million in the provision for ECLs of trade and other receivables and prepayments of the Company during the Reporting Period as compared to the corresponding period of last year; and (iii) the daily administrative expenses such as rental increased by approximately RMB0.3 million during the Reporting Period, which offset the decrease in the above two expenses.

Finance Costs

The Group incurred finance costs of approximately RMB2.8 million for the Reporting Period, while the finance costs of the Group in corresponding period of last year was approximately RMB2.4 million, representing a year-on-year increase of approximately 13.4%. The increase of the Group's finance costs was mainly due to the increase in interest expense arising from the convertible bonds as compared to the corresponding period of last year.

Income Tax Expense

The Group did not incur any income tax expense during the Reporting Period, while the income tax expense for the corresponding period of last year was approximately RMB354,000. During the Reporting Period, the Group was loss-making in the corresponding period. Although certain subsidiaries were profit-making, they were not subject to income tax due to the losses in previous years; (ii) the deferred tax credit arising from the fair value adjustment of assets arising from the acquisition of data centre segment and the acquisition of subsidiaries in previous years was fully amortised in the previous year. Therefore, there was no income tax credit in the Reporting Period.

PLEDGE OF ASSETS

On 25 January 2022, the Company entered into an agreement with Yaobang Group to provide a parcel of land and buildings located in Chengdu City as pledge (the "**Pledge**") by the Company for a term of 36 months to assist Yaobang Group to obtain a facility of up to RMB60,000,000 from the Bank(s) for the acquisition, investment and/or development of data centre business in the PRC. An extraordinary general meeting of the Company was held on 12 April 2022, at which the said agreement and the transactions contemplated thereunder were approved, confirmed and ratified. For details of the agreement, please refer to the announcement of the Company dated 25 January 2022 and the circular of the Company dated 25 March 2022.

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

Due to the failure of the Borrower and its subsidiaries to repay the Loan when due, Sichuan Greenland, has received a written notice from the Bank(s) demanding Sichuan Greenland to observe and perform its obligations under the Pledge. For details, please refer to the voluntary announcement of the Company dated 2 June 2023 in respect of the business update.

As a result of the above, the Group has made a provision for impairment loss of approximately RMB49.8 million in the last reporting period based on the net book value in respect of the properties, including land and buildings located in Chengdu City, pledged by Sichuan Greenland.

The Group has been continuously in ongoing discussions with relevant parties such as the Borrower and the Bank on the possible solutions for the aforesaid matter to protect the interests of the Group. The Group has initiated legal proceedings in court regarding the aforementioned matter and has sought pre-litigation preservation of assets belonging to the Borrower and its subsidiaries, which were accepted by the court on 28 August 2023.

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

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

As of the date of this announcement, three wealth management products remain outstanding with the aggregate principal amount of RMB10 million.

(i) one of such products issued by Zhongzhi International Investment Holdings Group Limited* (中植國際投資控股集團有限公司) in the principal amount of RMB4 million for a term of six months from 1 February 2023 had become overdue in August 2023 without being redeemed pursuant to the terms of the subscription agreement; and

(ii) two of such products issued by Zhongzhi Automobile Anhui Limited* (中植汽車安徽有限公司) in the principal amount of RMB3 million for a term of six months from 4 April 2023 had become overdue in October 2023 without being redeemed pursuant to the terms of the subscription agreement and other principal amount of RMB3 million for a term of seven months from 20 April 2023 is not yet due.

For details, please refer to the announcement of the Company dated 11 August 2023 in relation to the discloseable transactions in respect of subscriptions of wealth management products.

* *For identification purpose only*

Due to a higher risk of redemption, in accordance with prudence principles and in order to fairly reflect the Group's financial position, the Group has made a provision for investment losses of approximately RMB9.5 million based on the fair value assessment during the last reporting period as disclosed in the 2022/23 annual report of the Company.

The Group will take legal measures, including litigation, arbitration, property preservation and negotiation, etc., to do its best to pursue liability for breach of contract from the issuer of the overdue product, to recover investment losses as much as possible, and to protect the interests of shareholders.

Saved as aforesaid, the Group has no discloseable matters which are yet to be disclosed.

EVENTS AFTER THE REPORTING PERIOD

Save for the wealth management products disclosed above which were overdue but not redeemed in accordance with the terms of the subscription agreement, the Group had no discloseable but undisclosed matters as of the date of this announcement.

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 30 September 2023, 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 ("**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	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 SFO.

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 SFO.

3. Pursuant to the share option deed, the Company granted 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.

4. Pursuant to the Share Option Scheme, the Company granted 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. Upon the share options are exercised by Mr. Li in full, 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.

5. Based on the total number of 907,333,333 ordinary shares in issue as at 30 September 2023.

Save as disclosed above, as at the date of this announcement, 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 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.

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

As at 30 September 2023, 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 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	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 ("**Brilliant Talent**")	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 SFO.

2. The entire issued share capital of Brilliant Talent is legally and beneficially owned by Ms. Zhang. Ms. Zhang is deemed to be interested in the shares held by Brilliant Talent for the purpose of Part XV of the SFO.

3. Pursuant to the Placing Agreement (Note 10 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, its shareholding represents approximately 5.15% of the existing issued share capital of the Company. During the Reporting Period, Even Joy has not converted such 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 (Note 10 to the financial statements), the Company conditionally allotted the convertible bonds to Mr. Tsoi such that the placee may convert up to 46,800,000 shares of the Company at the conversion price. Upon conversion in full, his shareholding represents approximately 5.15% of the existing issued share capital of the Company. During the Reporting Period, Mr. Tsoi has not converted the convertible bond.

6. Based on the total number of 907,333,333 ordinary shares in issue as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, 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 SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

On 19 December 2016, the Board and shareholders of the Company through a written resolution approved and conditionally adopted the Company's share option scheme (the "**Share Option Scheme**"). The Share Option Scheme commenced on 19 December 2016 (the "**Adoption Date**") and will end on the tenth anniversary of the Adoption Date (both days inclusive), being 19 December 2026. As at 30 September 2023, the remaining life of the Share Option Scheme is approximately 3 years and 3 months. As at the date of this announcement, the total number of shares available for issue under the Share Option Scheme approved by the shareholders but yet to be granted by the Company was 65,000,000, representing approximately 7.16% of the issued shares of the Company as at the date of this announcement.

On 1 June 2022, the Company has conditionally agreed to grant a share option to Mr. Li Saint Chi Sainti ("**Mr. Li**", one of the independent non-executive Directors of the Company) at a consideration of HK$1.00, which Mr. Li may exercise during the share option period, giving Mr. Li the right to require the Company to allot and issue up to 2,000,000 subscription shares at the subscription price in accordance with the terms of and subject to the Share Option Scheme. The closing price of the Shares immediately before the date on which the share options were granted was HK$0.195 per share. As of the Reporting Period, Mr. Li had not exercised the above share options.

OTHER INFORMATION

The Company entered into a conditional share option deed with Mr. Lai Ningning ("**Mr. Lai**", one of the executive Directors of the Company) on 2 June 2021, which was approved, confirmed and ratified at the extraordinary general meeting of the Company on 2 August 2021. Accordingly, share options (the "**Share Option Deed**") were granted to Mr. Lai on 2 August 2021 (the "**Date of Grant**") and the closing price of the Shares immediately before the Date of Grant was HK$0.39 per share. The Share Option Deed is deemed to be a one-person share option scheme for a consideration of HK$1.00, which can only be exercised by Mr. Lai himself during the term of the Share Option Deed such that Mr. Lai is entitled to require the Company to allot and issue up to 100,000,000 subscription shares at the subscription price, representing approximately 11.02% of the total number of issued shares of the Company (907,333,333 shares) as at 30 September 2023, in accordance with the terms of and subject to the Share Option Deed. The Share Option Deed will lapse on 1 August 2025, being the day immediately before the fourth anniversary of the Date of Grant. As at 30 September 2023, the remaining life of the Share Option Deed is approximately 1 year and 10 months. As of the Reporting Period, Mr. Lai had not exercised the above share option.

Save as disclosed above, as of 30 September 2023, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

OTHER INFORMATION

POTENTIAL COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr. Ma Gary Ming Fai ("**Mr. Ma**") is the director and Ms. Hung Fung King Margaret, Mr. Ma's spouse, is the sole shareholder of Myshowhome International Limited ("**Myshowhome International**", together with its subsidiaries, the "**Myshowhome Group**"). Myshowhome International holds 100% interest in Myshowhome (Hong Kong) Limited ("**Myshowhome HK**"), which in turn holds 100% interest in Dongguan Shangpin Furniture Co., Ltd. (東莞市尚品家具有限公司) ("**Shangpin**"). Mr. Ma confirms that Myshowhome International is engaged in investment holding and Myshowhome HK is engaged in trading business. Shangpin is a wholly foreign-owned enterprise established under the laws of the PRC on 10 July 2012 with a registered capital of HK$8 million and is principally engaged in the trading of furniture and therefore competes or may compete either directly or indirectly with the Group's business.

Mr. Lai is a director and shareholder directly interested in approximately 23.47% of the equity interest in Beijing Haokuan Network Technology Co., Ltd.* (北京皓寬網絡科技有限公司) ("**Beijing Haokuan**") and directly interested in 50% of the equity interest in Haokuan Hebei Network Technology Co., Ltd.* (皓寬河北網絡科技有限公司), both being companies established in the PRC. Mr. Lai confirms that these companies and Beijing Haokuan's non-wholly owned subsidiaries, Haokuan Network (Guangzhou) Co., Ltd.* (皓寬網絡（廣州）有限公司) and Shanghai Haokuan Cloud Network Co., Ltd.* (上海皓寬雲網絡有限公司), are engaged in, among others, the data centre business in the PRC and therefore competes or may compete either directly or indirectly with the Group's business.

Save as disclosed above, for the three months ended 30 September 2023, none of the Directors nor the controlling shareholder or any of their respective close associates (as defined under the GEM Listing Rules) has any interest in a business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

* *For identification purpose only*

OTHER INFORMATION

CONNECTED TRANSACTIONS

On 2 June 2021, a conditional loan agreement was entered into between the Company as lender and the SPV as borrower, pursuant to which, the Company shall advance 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.

(a) At the end of the Reporting Period, the Group had the following balances with related companies:

	As at 30 September 2023 RMB'000 Unaudited	As at 30 June 2023 RMB'000 Audited
Amounts due from related companies:		
Long-term loan receivables		
— Mega Data Investment Ltd.	**50,000**	50,000
Interest receivable		
— Mega Data Investment Ltd.	**2,244**	1,503
	52,244	51,503

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

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

	For the three months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from Mega Data Investment Ltd.	**756**	756
Interest income from Gu'an Fu'ai Electronics Co., Ltd.	**–**	–
Buildout management service income from Gu'an Fu'ai Electronics Co., Ltd.	**–**	22,166

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

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.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the three months ended 30 September 2023. The Audit Committee is of the view that the unaudited consolidated results are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that the sufficient disclosure was made.

OTHER INFORMATION

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the three months ended 30 September 2023 and up to the date of this announcement.

CHANGE IN INFORMATION OF DIRECTORS

For the three months ended 30 September 2023, there was no change in the information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have purchased or sold any shares of the Company.

CORPORATE GOVERNANCE PRACTICES

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

(a) Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not have a chairman of the Board since the resignation of Mr. Ma Gary Ming Fai from that position in September 2018. The duties of the chairman have been taken up by the chief executive officer of the Company during the transition period. The Board is in the process of locating appropriate candidate to fill the vacancy of the chairman. During the Reporting Period, the duties of the chairman were performed by Mr. Yi Cong, the Chief Executive Officer. The chief executive officer is responsible for the day-to-day management of the business and provides leadership for the Board. Despite the roles/duties of the chairman and chief executive are performed by the same person, the Board considers that the transitional arrangement provides efficient communications and strong leadership and thus is beneficial to the Group. Balance of power is safeguarded in that major matters are discussed at the Board room and decided by Directors in Board meetings. Each Director can also propose issues to which he concerns at Board meetings.

(b) Code provision F.2.2 of the CG Code provides that the chairman of the Board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committees or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

As disclosed above, there is no chairman of the Board during the Reporting Period. The duties of the chairman are performed by the chief executive officer of the Company. All Directors attended the annual general meeting of the Company held on 20 October 2023 (the "**2023 AGM**"). Representative(s) of the external auditor, ZHONGHUI ANDA CPA Limited, also attended the 2023 AGM. The Company considers that the members of the Board who attended the 2023 AGM were able to sufficiently answer questions from shareholders at the 2023 AGM. The Board will continue to review and implement steps/measures as appropriate in a timely manner in order to comply with the requirements of the CG Code and enhance the corporate governance practices of the Group.

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

Hong Kong, 7 November 2023

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the Company's website at www.qtbgjj.com.