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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)

**CLARIFICATION ANNOUNCEMENT — FIRST QUARTERLY REPORT
AND FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2017, AND
INTERIM REPORT AND ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

Reference is made to the first quarterly report for the three months ended 31 March 2017 (the “**2017 First Quarterly Report**”) of Zhi Sheng Group Holdings Limited (the “**Company**”) and its first quarterly results announcement (the “**2017 First Quarterly Results Announcement**”) dated 12 May 2017 and the interim report for the six months ended 30 June 2017 (the “**2017 Interim Report**”) and its announcement of interim results (the “**2017 Interim Results Announcement**”) dated 14 August 2017. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the 2017 First Quarterly Report, 2017 First Quarterly Results Announcement, 2017 Interim Report and 2017 Interim Results Announcement. The Company noted errors in the exchange rates used for calculating foreign exchange differences in the comparative figures for the corresponding period of 2016 of the 2017 First Quarterly Report, 2017 First Quarterly Results Announcement, 2017 Interim Report and 2017 Interim Results Announcement and wishes to make the following clarifications:

On page 1 of the 2017 First Quarterly Report and page 2 of the 2017 First Quarterly Results Announcement, the unaudited consolidated statement of profit or loss and other comprehensive income and its comparative figures for the corresponding period in 2016 are amended as follows with changes double-underlined:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2016

	For the three months ended 31 March	
	2016 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited) (Restated)
Revenue	27,529	27,529
Cost of sales	<u>(20,342)</u>	<u>(20,342)</u>
Gross profit	7,187	7,187
Other income	18	18
Selling and distribution expenses	(1,050)	(1,050)
Administrative and other expenses	(5,531)	(5,531)
Finance costs	<u>(441)</u>	<u>(441)</u>
Profit before income tax	183	183
Income tax expense	<u>(792)</u>	<u>(792)</u>
Loss for the period attributable to the owners of the Company	<u><u>(609)</u></u>	<u><u>(609)</u></u>
Other comprehensive income/(loss) for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>(2,355)</u>	<u><u>26</u></u>
Total comprehensive loss for the period attributable to the owners of the Company	<u><u>(2,964)</u></u>	<u><u>(583)</u></u>
Loss per share		
— Basic and diluted (<i>RMB cents</i>)	<u><u>(0.15)</u></u>	<u><u>(0.15)</u></u>

On page 2 of the 2017 First Quarterly Report and page 3 of the 2017 First Quarterly Results Announcement, the unaudited consolidated statement of changes in equity and its comparative figures for the corresponding period in 2016 are amended as follows with changes double-underlined:

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	62	-	-	724	(112)	18,328	19,002
Profit for the period	-	-	-	-	-	(609)	(609)
Other comprehensive income: Exchange difference arising on translating of foreign operations	-	-	-	-	(2,355)	-	(2,355)
Total comprehensive income for the period	-	-	-	-	(2,355)	(609)	(2,964)
Transfer to statutory reserve	-	-	-	298	-	(298)	-
As at 31 March 2016 (Unaudited)	<u>62</u>	<u>-</u>	<u>-</u>	<u>1,022</u>	<u>(2,467)</u>	<u>17,421</u>	<u>16,038</u>

For the three months ended 31 March 2016
(Restated)

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	62	-	-	724	(112)	18,328	19,002
Profit for the period	-	-	-	-	-	(609)	(609)
Other comprehensive income: Exchange difference arising on translating of foreign operations	-	-	-	-	<u>26</u>	-	<u>26</u>
Total comprehensive income for the period	-	-	-	-	<u>26</u>	(609)	<u>(583)</u>
Transfer to statutory reserve	-	-	-	298	-	(298)	-
As at 31 March 2016 (Unaudited)	<u>62</u>	<u>-</u>	<u>-</u>	<u>1,022</u>	<u>(86)</u>	<u>17,421</u>	<u>18,419</u>

On page 2 of the 2017 Interim Report and page 2 of the 2017 Interim Results Announcement, the condensed consolidated statement of profit or loss and other comprehensive income and its comparative figures for the corresponding period in 2016 are amended as follows with changes double-underlined:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

	For the three months ended 30 June		For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)	2016 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
Revenue	19,700	19,700	47,229	47,229
Cost of sales	<u>(15,322)</u>	<u>(15,322)</u>	<u>(35,664)</u>	<u>(35,664)</u>
Gross Profit	4,378	4,378	11,565	11,565
Other income	173	173	191	191
Selling and distribution expenses	(872)	(872)	(1,922)	(1,922)
Administrative expenses	(2,384)	(2,384)	(7,915)	(7,915)
Finance costs	<u>(447)</u>	<u>(447)</u>	<u>(888)</u>	<u>(888)</u>
Profit before income tax	848	848	1,031	1,031
Income tax expense	<u>(347)</u>	<u>(347)</u>	<u>(1,139)</u>	<u>(1,139)</u>
Profit/(loss) for the period attributable to the owners of the Company	<u>501</u>	<u>501</u>	<u>(108)</u>	<u>(108)</u>
Other comprehensive income/(loss) for the period:				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(1,750)</u>	<u>(116)</u>	<u>(4,105)</u>	<u>(90)</u>
Total comprehensive income/(loss) for the period attributable to the owners of the Company	<u>(1,249)</u>	<u>385</u>	<u>(4,213)</u>	<u>(198)</u>
Earnings/(loss) per share				
— Basic and diluted (RMB cents)	<u>0.12</u>	<u>0.12</u>	<u>(0.03)</u>	<u>(0.03)</u>

On page 5 of the 2017 Interim Report, the condensed consolidated statement of changes in equity and its comparative figures for the corresponding period in 2016 are amended as follows with changes double-underlined:

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	62	-	-	724	(112)	18,328	19,002
Profit for the period	-	-	-	-	-	(108)	(108)
Other comprehensive income: Exchange difference arising on translating of foreign operations	-	-	-	-	(4,105)	-	(4,105)
Total comprehensive income for the period	-	-	-	-	(4,105)	(108)	(4,213)
Transfer to statutory reserve	-	-	-	485	-	(485)	-
As at 30 June 2016 (Unaudited)	<u>62</u>	<u>-</u>	<u>-</u>	<u>1,209</u>	<u>(4,217)</u>	<u>17,735</u>	<u>14,789</u>

FOR THE SIX MONTHS ENDED 30 JUNE 2016
(Restated)

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	62	-	-	724	(112)	18,328	19,002
Profit for the period	-	-	-	-	-	(108)	(108)
Other comprehensive income: Exchange difference arising on translating of foreign operations	-	-	-	-	<u>(90)</u>	-	<u>(90)</u>
Total comprehensive income for the period	-	-	-	-	<u>(90)</u>	(108)	<u>(198)</u>
Transfer to statutory reserve	-	-	-	485	-	(485)	-
As at 30 June 2016 (Unaudited)	<u>62</u>	<u>-</u>	<u>-</u>	<u>1,209</u>	<u>(202)</u>	<u>17,735</u>	<u>18,804</u>

On pages 7 and 8 of the 2017 Interim Report, the condensed consolidated statement of cash flows and its comparative figures for the corresponding period in 2016 are amended as follows with changes double-underlined:

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	For the six months ended	
	30 June	
	2016	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Profit before income tax	1,031	1,031
Adjustments for:		
Amortisation of payments for leasehold land held for own use under operating leases	170	170
Depreciation of property, plant and equipment	1,980	1,980
	<u>1,980</u>	<u>1,980</u>
Loss on disposal of property, plant and equipment	(4)	(4)
Income from trade payable written off	(168)	(168)
Interest income	(23)	(23)
Finance costs	888	888
	<u>888</u>	<u>888</u>
Operating profit before working capital changes	3,874	3,874
Decrease in inventories	12,771	12,771
Increase in trade and other receivables	(14,041)	(14,041)
Decrease in trade and other payables	(13,055)	(13,055)
	<u>(13,055)</u>	<u>(13,055)</u>
Cash generated from operations	(10,451)	(10,451)
Income tax paid	(1,572)	(1,572)
Interest received	23	23
Interest paid	(888)	(888)
	<u>(888)</u>	<u>(888)</u>
Net cash used in operating activities	<u>(12,888)</u>	<u>(12,888)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(772)	(772)
Gain from disposal of fixed assets	–	–
	<u>–</u>	<u>–</u>
Net cash used in investing activities	<u>(772)</u>	<u>(772)</u>

	For the six months ended	
	30 June	
	2016	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Cash flows from financing activities		
Proceeds from issue of shares	–	–
Proceeds from bank and other borrowings	–	–
Repayment of bank and other borrowings	–	–
Repayments to directors	(4,190)	(4,190)
Advances from shareholders	13,395	<u>9,380</u>
Net cash from financing activities	<u>9,205</u>	<u>5,190</u>
Net decrease in cash and cash equivalents	(4,455)	<u>(8,470)</u>
Cash and cash equivalents at beginning of year	19,981	19,981
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(4,105)</u>	<u>(90)</u>
Cash and cash equivalents at end of year	11,421	11,421
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>11,421</u>	<u>11,421</u>

There is no change in the content and information contained in the 2017 First Quarterly Report, 2017 First Quarterly Results Announcement, 2017 Interim Report and 2017 Interim Results Announcement, save for the aforementioned clarification of calculation of exchange gains and losses.

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

Hong Kong, 10 November 2017

This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. 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.

As at the date of this announcement, the Board comprises Mr. Yi Cong and Mr. Liang Xing Jun as executive directors; Mr. Ma Gary Ming Fai as non-executive director; and Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung as independent non-executive directors.

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