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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 the emerging nature of companies listed on GEM are generally 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 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 of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries. 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, there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS

The board of Directors (the "Board") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*5*	**96,959**	99,563
Cost of sales		**(62,958)**	(72,051)
Gross profit		**34,001**	27,512
Other income	*6*	**392**	388
Selling and distribution expenses		**(5,428)**	(4,388)
Administrative and other expenses		**(13,813)**	(18,531)
Finance costs	*7*	**(1,035)**	(1,776)
Profit before income tax	*8*	**14,117**	3,205
Income tax expense	*9*	**(4,544)**	(2,946)
Profit for the year attributable to the owners of the Company		**9,573**	259
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(833)**	(8,068)
Total comprehensive income/(loss) for the year attributable to the owners of the Company		**8,740**	(7,809)
Earnings per share			
— Basic and diluted (RMB cents)	*11*	**1.46**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**52,400**	54,140
Payments for leasehold land held for own use under operating leases		**14,547**	14,888
Deposits for the acquisition of property, plant and equipment		**5,848**	–
Total non-current assets		**72,795**	69,028
Current assets			
Payments for leasehold land held for own use under operating leases		**230**	230
Inventories		**16,570**	18,273
Trade and other receivables	*12*	**56,469**	46,745
Cash and cash equivalents		**36,428**	27,632
Total current assets		**109,697**	92,880
Total assets		**182,492**	161,908
Current liabilities			
Trade and other payables	*13*	**20,985**	30,545
Bank borrowing	*14*	**–**	30,000
Amounts due to directors		**–**	644
Amounts due to shareholders	*15*	**–**	13,845
Tax payable		**3,158**	236
Total current liabilities		**24,143**	75,270
Net current assets		**85,554**	17,610
Total assets less current liabilities		**158,349**	86,638

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current liabilities			
Deferred tax liabilities		**5,697**	5,936
Total non-current liabilities		**5,697**	5,936
Total liabilities		**29,840**	81,206
NET ASSETS		**152,652**	80,702
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**5,923**	–
Reserves	*17*	**146,729**	80,702
TOTAL EQUITY		**152,652**	80,702

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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	62	–	–	724	(112)	18,328	19,002
Profit for the year	–	–	–	–	–	259	259
Other comprehensive expense:							
Exchange difference arising on translating of foreign operations	–	–	–	–	(8,068)	–	(8,068)
Total comprehensive loss for the year	–	–	–	–	(8,068)	259	(7,809)
Allotment and issue of new shares of a group company upon shareholders' loans capitalisation *(Note 16(d))*	69	69,440	–	–	–	–	69,509
Arising from the Reorganisation *(Note 16(a))*	(131)	(69,440)	69,571	–	–	–	–
Issue of shares upon the Reorganisation *(Note 16(c))*	–	80,702	(80,702)	–	–	–	–
Transfer to statutory reserve	–	–	–	1,148	–	(1,148)	–
As at 31 December 2016 and 1 January 2017	**–**	**80,702**	**(11,131)**	**1,872**	**(8,180)**	**17,439**	**80,702**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**9,573**	**9,573**
Other comprehensive expense:							
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**(833)**	**–**	**(833)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(833)**	**9,573**	**8,740**
Capitalisation issue *(Note 16(e))*	**3,554**	**(3,554)**	**–**	**–**	**–**	**–**	**–**
Issue of shares upon the Placing *(Note 16(f))*	**2,369**	**71,075**	**–**	**–**	**–**	**–**	**73,444**
Transaction costs attributable to the issue of shares	**–**	**(10,234)**	**–**	**–**	**–**	**–**	**(10,234)**
Transfer to statutory reserve	**–**	**–**	**–**	**1,471**	**–**	**(1,471)**	**–**
As at 31 December 2017	**5,923**	**137,989**	**(11,131)**	**3,343**	**(9,013)**	**25,541**	**152,652**

* The share capital of the Group as at 1 January 2016 represented the aggregate amount of the share capital of the subsidiaries as at that date and was transferred to other reserve upon the reorganisation of the Group in connection with the listing of shares of the Company on GEM (the "Reorganisation").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

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 is at Unit A, 17/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong and its headquarter is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and the Group is principally engaged in manufacture and sale of office furniture products in the PRC.

In connection with the listing of the shares of the Company on GEM of the Stock Exchange, the Company underwent the Reorganisation and has become the holding company of its subsidiaries now comprising the Group since 19 December 2016. The shares of the Company were listed on GEM on 20 January 2017. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 30 December 2016 (the "Prospectus").

The Group is regarded as a continuing entity resulting from the Reorganisation as there is no change in the economic substance of the Group. Accordingly, the consolidated financial statements have been prepared as if the Reorganisation had been completed at 1 January 2016 and the current group structure had always been in existence.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2016 have included the financial performance, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the year ended 31 December 2016. The consolidated statement of financial position of the Group as of 31 December 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The adoption of the amendments to HKAS 7 has led to the additional disclosure presented in the notes to consolidated statement of cash flows. The adoption of other amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

4. SEGMENT REPORTING

(a) Reportable segments

The executive Directors of the Company have determined that the Group has only one single operating segment which is manufacture and sale of office furniture products in the PRC. The executive directors of the Company allocate resources and assess performance on an aggregated basis.

(b) 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.

The following table provides an analysis of the Group's revenue from external customers.

	2017	2016
	RMB'000	*RMB'000*
Revenue from external customers		
The PRC (domicile)	**96,959**	99,563

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

(c) Information about a major customer

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

	2017	2016
	RMB'000	*RMB'000*
Customer A	**14,559**	35,401

5. REVENUE

Revenue represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax.

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sales of office furniture products	**96,959**	99,563

6. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Other income		
Bank interest income	**81**	38
Exchange gain	**17**	–
Interest income from other receivable	**117**	–
Income from trade payable written off	**–**	168
Gain on disposal of property, plant and equipment, net	**45**	–
Government grants	**132**	182
	392	388

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**1,035**	1,776

8. PROFIT BEFORE INCOME TAX

Profit before income tax expense is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**608**	600
Listing expenses	**2,398**	8,060
(Gain)/loss on disposal of property, plant and equipment, net	**(45)**	4
Cost of inventories recognised as expense	**62,958**	72,051
Depreciation of property, plant and equipment	**3,766**	3,071
Amortisation of payments for leasehold land held for own use under operating leases	**341**	341
Operating lease charges on rental premises	**1,348**	1,424
Staff costs (including directors' remuneration)	**9,505**	9,391

9. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
— tax for the year	**4,943**	3,185
— over-provision in respect of prior years	**(160)**	–
	4,783	3,185
Deferred tax	**(239)**	(239)
	4,544	2,946

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.

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 years ended 31 December 2017 and 2016.

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

Deferred tax liabilities have not been recognised for the withholding tax that would be payable on the distribution of the undistributed earnings of a subsidiary of approximately RMB36,340,000 (2016: RMB23,853,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

10. DIVIDENDS

No dividend has been paid or declared during the years ended 31 December 2017 and 2016 nor has any dividend been declared since the end of the reporting period.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the year ended 31 December 2017 of approximately RMB9,573,000 (2016: RMB259,000), and the basis of weighted average number of 656,783,562 ordinary shares of the Company deemed to be in issue during the year (2016: 402,000,000 ordinary shares of the Company deemed to be in issue), which was computed on the basis that 402,000,000 ordinary shares of the Company in issue after the completion of the Reorganisation and the capitalisation issue were in issue as at the beginning of the earliest financial period presented.

There were no potential ordinary shares in issue for the years ended 31 December 2017 and 2016. Accordingly, diluted earnings per share presented are the same as basic earnings per share.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**30,742**	16,229
Other receivables	**3,410**	1,370
Deposits	**1,497**	2,039
Prepayments	**20,820**	27,107
	56,469	46,745

At 31 December 2017, among the other receivables, RMB933,000 (2016: RMB933,000) was due from 羅錦耀 Mr. Luo Jin Yao ("Mr. Luo"), the then owner of 四川青田家具實業有限公司 ("Sichuan Greenland"), an indirect wholly-owned subsidiary of the Company. The balance is unsecured, interest-free, and repayable on demand.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

Included in trade and other receivables are trade receivables with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**16,390**	6,871
More than 3 months	**14,352**	9,358
	30,742	16,229

The ageing of trade receivables which are not impaired, based on past due dates, are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**21,492**	12,528
Less than 1 month past due	**3,809**	816
1 to 3 months past due	**731**	269
More than 3 months but less than 6 months past due	**4,210**	609
More than 6 months past due	**500**	2,007
	30,742	16,229

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past credit experience, the management of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**6,548**	7,252
Other payables and accruals	**3,442**	10,077
Other taxes payable	**5,323**	4,929
Receipts in advance	**5,672**	8,287
	20,985	30,545

Included in trade and other payables are trade payables with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**1,673**	2,122
More than 3 months	**4,875**	5,130
	6,548	7,252

14. BANK BORROWING

	2017	2016
	RMB'000	*RMB'000*
Secured bank borrowing, repayable within one year	**–**	30,000

Notes:

(i) The interest rate of the bank borrowing consisted of two components (i) the benchmark interest rate and (ii) 20% of the benchmark interest rate. The average effective interest rate was 5.44% during the year ended 31 December 2017 (2016: 5.66%).

(ii) As at 31 December 2016, the Group's buildings and payments for leasehold land held for own use under operating leases with carrying amounts of approximately RMB50,741,000 and RMB15,118,000 respectively were pledged to secure the bank borrowing. During the year ended 31 December 2017, the aforesaid pledges were released as the bank borrowing was repaid in full.

15. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders were unsecured, interest free and repayable on demand.

As at 31 December 2016, the amounts, which were included in amounts due to shareholders, of approximately RMB11,183,000 was due to Mr. Ma Gary Ming Fai, a Director of the Company.

16. SHARE CAPITAL — GROUP AND COMPANY

The movements of ordinary share capital during the years ended 31 December 2017 and 2016 are as follows:

	Number	*RMB'000*
Authorised:		
Ordinary shares of the Company of HK$0.01 each		
Upon incorporation *(Note (b))*	10,000,000	84
Increase in authorised share capital on 19 December 2016 *(Note (b))*	1,490,000,000	13,409
At 31 December 2016, 1 January 2017 and 31 December 2017	1,500,000,000	13,493
Issued and fully paid:		
Ordinary shares of the Company of HK$0.01 each		
Upon incorporation *(Note (b))*	1	–
Issue of shares pursuant to the Reorganisation *(Note (c))*	9,999	–
At 31 December 2016 and 1 January 2017	10,000	–
Capitalisation issue *(Note (e))*	401,990,000	3,554
Issue of shares upon the Placing *(Note (f))*	268,000,000	2,369
At 31 December 2017	670,000,000	5,923

Notes:

(a) The share capital of the Group as at 1 January 2016 as presented in the consolidated statement of changes in equity represented the aggregate amount of the share capital of the subsidiaries as at that date and was transferred to other reserve upon the Reorganisation.

(b) The Company was incorporated in the Cayman Islands on 4 March 2016 with an authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each. On the same date, one ordinary share of HK$0.01 was issued to the initial subscriber in nil paid, and was transferred to Sun Universal Limited ("Sun Universal") for nil consideration. Pursuant to the written solutions passed on 19 December 2016, the authorised share capital of the Company was increased from HK$100,000 to HK$15,000,000 by the creation of an additional 1,490,000,000 ordinary shares.

(c) On 9 December 2016, the Company issued and allotted 6,101, 499, 499 and 2,900 ordinary shares in nil paid form to each of Sun Universal (a company wholly owned by Mr. Ma Gary Ming Fai), Oasis Heritage Limited ("Oasis") (a company wholly owned by Mr. Man Chin ("Mr. Man")), Ms. Sum Kin Man ("Ms. Sum") and Brilliant Talent Global Limited ("Brilliant Talent") (a company wholly owned by Ms. Zhang Gui Hong ("Ms. Zhang")) respectively, such that after such issue and allotment and together with the initial subscriber share transferred to Sun Universal, the number of ordinary shares of the Company was 10,000.

On 19 December 2016, Mr. Ma Gary Ming Fai, Oasis, Ms. Sum and Ms. Zhang (collectively, the "Ultimate Shareholders"), as vendors, Mr. Man as warrantor and the Company, as purchaser entered into a sale and purchase agreement, pursuant to which the Company acquired 61.02%, 4.99%, 4.99% and 29% share of Smart Raise Holding Limited ("Smart Raise BVI") representing all its issued shares in aggregate, from Mr. Ma Gary Ming Fai, Oasis, Ms. Sum and Ms. Zhang respectively. The consideration was satisfied by the Company crediting as fully paid the (i) 6,102 nil paid ordinary share of the Company held by Sun Universal (including one nil paid subscriber ordinary share) with instruction from Mr. Ma Gary Ming Fai; (ii) 499 nil paid ordinary shares of the Company held by Oasis with instruction from Oasis; (iii) 499 nil paid ordinary shares of the Company held by Ms. Sum with instruction from Ms. Sum; and (iv) 2,900 nil paid ordinary shares of the Company held by Brilliant Talent with instruction from Ms. Zhang.

Upon the completion of the above acquisition on 19 December 2016, (i) Smart Raise BVI became a wholly-owned subsidiary of the Company; and (ii) the issued share capital of the Company was held as to 61.02%, 4.99%, 4.99% and 29% by Sun Universal, Oasis, Ms. Sum and Brilliant Talent respectively.

(d) On 19 December 2016, the Ultimate Shareholders and Smart Raise BVI entered into a loan capitalisation agreement, pursuant to which the Ultimate Shareholders agreed to capitalise part of their respective non-interest bearing shareholders' loans previously granted to Smart Raise BVI in the total amount of approximately HK$77,241,380 (equivalent to approximately RMB69,509,000) into shares of Smart Raise BVI by the issue and allotment to them of a total of 10,000 new ordinary shares of par value US$1.00 each.

(e) Pursuant to the written resolutions passed by the shareholders of the Company on 19 December 2016, the Directors were authorised to capitalise the amount of HK$4,019,900 standing to the credit of the share premium account of the Company, a total of 401,990,000 ordinary shares credited as fully paid at par to the holders of ordinary shares of the Company on the register of members or principal share register of the Company at the close of business on 19 December 2016 in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company.

(f) On 19 January 2017, the Company placed 268,000,000 new ordinary shares at HK$0.31 per share for a total gross proceeds of HK$83,080,000 (the "Placing"). The proceeds (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) will be used to finance the implementation plan as set forth in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The proceeds of HK$2,680,000 representing the par value of the ordinary shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK$80,400,000 before issuing expenses, were credited to share premium account of the Company.

17. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2017 and 2016 are presented in the consolidated statement of changes in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of office furniture products in the PRC. The Group sells its products to the domestic PRC market with a large proportion of its sales derived from Sichuan province, Chongqing city, Tibet Autonomous Region, Jiangsu province and Guangdong province. The Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group's sales offices, Sichuan Greenland Furniture Co., Limited ("Sichuan Greenland") and our branch office in Chongqing ("Chongqing Branch Office") are located in Chengdu city and Chongqing city, respectively.

In 2017, the Group faced a harsher economic environment for business in China. The competitive bidding to supply office furniture and the competition among retail businesses were intense. The demand for office furniture of financial institutions outlets in Sichuan province, Yunnan province and other areas has decreased significantly as compared to the previous years. The Group faced greater challenge in its development. Nevertheless, leveraging on years of experience and competitive strengths of the Group, including (i) quality of its products which are recognised by the PRC government and international certification organisations; (ii) its provision of custom-made office furniture to suit the needs of its customers; (iii) its provision of after-sales customer service to ensure customers are satisfied with the quality of its products; (iv) its extensive experience and knowledge in dealing with PRC governmental departments, major financial institutions and state-owned entities; and (v) its experienced management team, the Group has steadily expanded its existing network and market and the Group has effectively expanded markets outside the southwest regions of the PRC.

The Group consolidated the Group's market share in five provinces in the southwest based on the established sales strategy and strengthened the development in developed provinces such as such as Jiangsu, Beijing, Guangdong and Guangxi. The Group has also made efforts on geographical coverage and reached new customers in those districts. Although the increasingly strict environmental regulation of governments at all levels in China to a certain extent increased the pressure on product cost, it presented good development opportunities for the Group. The standard of products provided by the Group is superior to that required by relevant environmental regulations. This not only enhances the market competitiveness of the Group, but also increases the bargaining power of the Group in that the Group can effectively pass on the costs, thereby significantly increasing the gross profit margin of the Group as compared with the corresponding period of previous year.

Although the overall sales of the Group decreased to a certain extent for the year ended 31 December 2017 compared with the same period in 2016, the Group remains confident about its future development. It is believed that the Group will gradually achieve results through the efforts of the Group and the sales strategy previously adopted. It is expected that the sales of the Group in the coming year will turn the corner and growth will progressively resume.

Looking forward, the Group will in accordance with the plans formulated before its listing and coupled with actual operational conditions, make steady progress in the business objectives of the Group and achieve results from it. The business strategies include (i) observing market trends and adjusting our strategies to adapt accordingly; (ii) renovating and refurbishing our exhibition halls; (iii) expanding our market presence in the PRC; and (iv) acquiring new machinery and equipment. The Group believes that successful implementation of the above business strategies will help the Group enhance its competitiveness in the office furniture market and retain more customers. Also, the listing should enhance our reputation and brand as a reliable supplier of quality office furniture to government, corporate and institutional customers in the PRC.

In terms of sales strategy, the Group will secure its market share in five Southwest provinces through Sichuan Greenland, and strengthen the development in developed provinces and municipalities such as Jiangsu, Beijing, Guangdong, Guangxi and northwestern regions of the PRC, with a view to extend our geographical coverage and reach new customers in those districts. Although the future is full of challenges, the Group believes that the implementation of the above sale strategies will make such areas new sales growth drivers, which provide strong support for meeting the revenue growth target of the Group for the coming years.

The Group has renovated its exhibition halls in Chengdu and Chongqing as planned, which would help enhance the attractiveness of the Group's products and its brand image. Meanwhile, it has started purchasing and deploying advanced production equipment as planned. It is estimated that the production efficiency will be enhanced and the costs will be gradually controlled in the coming year, and the tenders by of the Group will become more competitive.

On the other hand, in accordance with its goals, the Group will adopt effective measures to exercise strict control over the increase in expenses associated with manpower, sales and distribution and administration and ensure successful achievement of the profit target set by the Group. The Group is committed to enhancing its market competitiveness, creating sustainable returns and maximizing wealth for shareholders.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB97.0 million, representing a decrease of approximately 2.6% as compared to the same period in 2016.

Revenue of Sichuan Greenland was approximately RMB83.4 million in for the year ended 31 December 2017, representing a decrease of approximately 6.4% as compared to the year ended 31 December 2016.

Revenue attributable to our historically strong sales provinces and autonomous regions such as Sichuan province, Yunnan province, Guizhou province, Chongqing city, Tibet Autonomous Region, was RMB62.2 million for year ended 31 December 2017, decreased by approximately RMB10.4 million or 14.3% as compared to that of 2016. That was mainly due to (i) the substantial drop in revenue from financial institutions in the above regions with revenue dropped from approximately RMB39.0 million for the year ended 31 December 2016 to approximately RMB17.2 million for the year ended 31 December 2017; (ii) drop in sales to a large tender and direct sales customer in Chongqing with revenue of approximately RMB3.3 million for the year ended 31 December 2016 as compared to revenue of approximately RMB1.1 million for the year ended 31 December 2017, exacerbating the decline in revenue in the above regions.

Due to the positive effect of our sales strategy in Sichuan province, ten larger new customers for the year ended 31 December 2017 contributed to revenue of approximately RMB12.6 million, effectively offsetting the decrease in revenue from the above provinces. The decrease in revenue derived from Beijing for the year ended 31 December 2017 was mainly attributable to revenue contribution of approximately RMB4.3 million from a large tender client falling short of expectations for the same period in 2016 and significantly decreasing of approximately RMB0.9 million as compared to the year ended 31 December 2017.

For the year ended 31 December 2017, revenue derived from Guangdong increased approximately 7.9% to approximately RMB 9.4million as compared to the year ended 31 December 2016 due to the steady growth of the market in Guangdong. For the year ended 31 December 2017, revenue derived from Jiangsu province increased approximately 180.2% to approximately RMB6.9 million as compared to the year ended 31 December 2016, mainly due to an increase in income of approximately RMB 3.1 million from an existing customer in Suzhou as compared with the same period in 2016 and the revenue contribution of approximately RMB1.2 million by a new customer in Xuzhou.

For the year ended 31 December 2017, revenue derived from Guangxi province was RMB2.6 million, increased approximately 1,555% as compared to the year ended 31 December 2016, mainly due to the revenue contribution of approximately RMB2.6 million by a new customer of Fangchenggang city. Sales in Hainan province also achieved definite progress and contributed to revenue of approximately RMB0.8 million. However, sales in various provinces and regions in the northwest region were still in the developmental stage, and therefore no substantive progress has been made.

Revenue derived from the Chongqing Branch Office was approximately RMB13.5 million, representing an increase of approximately 29.4% as compared to the year ended 31 December 2016. The increase was mainly attributable to revenue contributed by two separate private enterprises in each of Qinghai province and Hubei province achieved greater revenues of RMB1.5 million and RMB1.4 million respectively and the positive impact on sales of the renovation of the exhibition hall in Chongqing.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production, (ii) cost of goods purchased, (iii) labour costs; and (iv) production overheads such as depreciation. For the year ended 31 December 2017, the Group's cost of sales amounted to approximately RMB63.0 million, representing an decrease of approximately 12.6% from approximately RMB72.1 million for the year ended 31 December 2016. Such decrease was mainly due to: (i) the Group's sales decreasing by approximately RMB2.6 million; (ii) a decrease in the cost of raw materials used and cost of goods purchased of approximately RMB7.5 million; (iii) a decrease in salary of production staff of approximately RMB1.1 million; and (iv) a decrease in other production expenses of approximately RMB0.5 million.

Gross profit

Gross profit increased from approximately RMB27.5 million for the year ended 31 December 2016 to approximately RMB34.0 million for the year ended 31 December 2017. The gross profit margin increased from approximately 27.6% for the year ended 31 December 2016 to approximately 35.1% for the year ended 31 December 2017. Such increases were mainly attributable to the following: although sales revenue of the Group for the year ended 31 December 2017 decreased by approximately RMB2.6 million as compared to the same period in 2016, the cost of sales for the year ended 31 December 2017 decreased by approximately RMB9.1 million as compared to the same period in 2016, resulting in an increase in gross profit margin.

Other income

For the year ended 31 December 2017, the Group's other income amounted to approximately RMB0.392 million, representing an increase of approximately 1.0% from RMB0.388 million for the year ended 31 December 2016. Such increase was mainly attributable to the Group's interest income from other receivable of approximately RMB0.117 million for the year ended 31 December 2017.

Administrative and other expenses

For the year ended 31 December 2017, the Group's administrative and other expenses amounted to approximately RMB13.8 million, representing a decrease of approximately 25.5% from approximately RMB18.5 million for the year ended 31 December 2016. Such decrease was mainly attributable to a decrease in listing expenses recognised in profit or loss of approximately RMB5.7 million for the year ended 31 December 2017 as compared with year ended 31 December 2016 and mainland subsidiaries of the Company recorded a decrease in administrative expenses of approximately RMB1.0 million after the listing, offsetting an increase in intermediary consultancy and other relevant fees of approximately RMB1.5 million, an increase in emoluments for independent non-executive directors and company secretary of the Company of approximately RMB0.5 million.

Selling and distribution expenses

For the year ended 31 December 2017, the Group's selling and distribution expenses amounted to approximately RMB5.4 million, representing an increase of approximately 23.7% from RMB4.4 million for the year ended 31 December 2016. Such increase was mainly attributable to the commencement of depreciation of the renovation of the exhibition hall in Chongqing as well as the increase in transportation cost due to expansion of sales channels.

Income tax expense

For the year ended 31 December 2017, the income tax expense of the Group amounted to approximately RMB4.5 million, representing an increase of approximately 54.2% from approximately RMB2.9 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in the taxable profits of the Group generated during the year ended 31 December 2017.

Profit for the year attributable to the owners of the Company

For the year ended 31 December 2017, the profit of the Group amounted to approximately RMB9.6 million, representing an increase of approximately RMB9.3 million from approximately RMB0.3 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in gross profit margin for the year ended 31 December 2017 compared to that of 2016 and a decrease of approximately RMB5.7 million in listing expenses recognised in profit or loss compared to that of 2016.

Trade and other receivables

Trade and other receivables increased from approximately RMB46.7 million as at 31 December 2016 to approximately RMB56.5 million as at 31 December 2017. Such increase was mainly attributable to an increase in sales near December 2017 as compared to December 2016.

Trade and other payables

Trade and other payables decreased from approximately RMB30.5 million as at 31 December 2016 to approximately RMB21.0 million as at 31 December 2017. Such decrease was mainly because the accrued listing expenses of 2016 has been paid in 2017 and therefore such expenses decreased, and the decrease in receipt in advance of Sichuan Greenland due to delivery of orders in 2017.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS FROM THE PLACING

The Company successfully listed on GEM on 20 January 2017 and 268,000,000 ordinary shares were issued at HK$0.31 per shares by way of the placing. The following sets out a comparison and analysis of the business objectives as stated in the Prospectus with the Group's actual business progress up to 31 December 2017 (the "Review Period"):

Business Objectives	**Actual Business Progress**
Renovation and refurbishment of the exhibition hall to enhance customer experience	Completion of renovation of the exhibition hall at Sichuan Greenland
Purchase machinery and equipment for the Group's production facilities and to strengthen our production capability	Machinery and equipment have been purchased as planned and some of which have been delivered

Net proceeds from the Placing amounted to approximately HK$59.7 million (after deducting underwriting fees and other related expenses).

During the Review Period, net proceeds have been used in the following manner:

	Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus	**Actual use of proceeds during the Review Period**
	HK$ million	*HK$ million*
Renovation of the exhibition hall at Sichuan Greenland	5.0	5.0
Acquisition of machinery and equipment	10.9	3.3
Repayment of existing short-term bank or other borrowings	42.8	42.8
Working capital and other general corporate purposes	1.0	1.0
	59.7	52.1

As of the date of this announcement, the renovation of the Group's Chengdu exhibition hall has been completed and will be put into operation in the first quarter of 2018; the Group has purchased machinery and equipment as planned and some of the equipment has been delivered; the Group has repaid loans of approximately HK$7.2 million to financial institutions in Hong Kong and RMB30.0 million (HK$35.6 million) to China CITIC Bank. Out of the funds raised from the Placing HK$1.0 million was put to use as working capital of the Group in accordance with the intended use. The unutilized net proceeds have been deposited as interest bearing deposits in licensed banks in Hong Kong and the PRC.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ensure the business growth of the Group.

During the Review Period, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During the year ended 31 December 2017, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and shareholder loans. As at 31 December 2017, the net current assets of Group amounted to approximately RMB85.6 million (31 December 2016: approximately RMB17.6 million), including bank balances and cash of approximately RMB36.4 million (31 December 2016: approximately RMB27.6 million). As the Group had repaid a bank loan of RMB30.0 million on the maturity date of 28 July 2017, the Group has no outstanding interest-bearing bank loans as at 31 December 2017 (31 December 2016: RMB30.0 million). As at 31 December 2017, the current ratio, being the ratio of current assets to current liabilities, was approximately 4.5 (31 December 2016: 1.2).

CAPITAL STRUCTURE

For the year ended 31 December 2017, the Group's total equity attributable to owners of the Company amounted to approximately RMB152.7 million (31 December 2016: approximately RMB80.7 million). The Group's equity attributable to owners of the Company included share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's business transactions are mainly conducted in RMB, the exposure of the Group to foreign exchange fluctuations was not significant. As at 31 December 2017, the Group was not a party of any foreign currency hedging instruments. However, the Group will review and monitor foreign exchange exposure risks from time to time.

FINANCIAL POLICIES

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

GEARING RATIO

The gearing ratio (defined as total debt divided by total equity as at 31 December 2017, total debt represents all liabilities excluding trade payables, tax payable, deferred tax liabilities and provision (if any)) was approximately 0.1 (31 December 2016: approximately 0.8).

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no significant capital commitments.

PLEDGE OF ASSETS

As the Group repaid a bank loan of RMB30.0 million on 28 July 2017, the pledge of the land use rights and property of the Group's production facilities in Chengdu city has been released. As of 31 December 2017, other than the released pledge described above, the Group had no asset pledge agreement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 31 December 2017.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group engaged a total of 232 employees (2016: 242) including the Directors. For the year ended 31 December 2017, total staff costs amounted to approximately RMB9.5 million (2016: approximately RMB9.4 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

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

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

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

EVENTS AFTER THE REPORTING PERIOD

Convoy Capital Hong Kong Limited resigned as compliance adviser of the Company with effect from 2 March 2018 and Octal Capital Limited has been appointed as new compliance adviser of the Company with effect from 5 March 2018. Except as mentioned above, the Group has no discloseable matters which are yet to be disclosed.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year ended 31 December 2017, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the shares of the Company as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

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

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CORPORATE GOVERNANCE

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 year ended 31 December 2017 and up to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil). No shareholder has agreed to waive dividends.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM of the Company will be held on Friday, 15 June 2018 at 11:00 a.m. A notice convening the AGM will be published on the Company's website at www.qtbgjj.com and the GEM website at www.hkgem.com in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 June 2018.

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 year ended 31 December 2017 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

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

Hong Kong, 21 March 2018

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.

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