

# 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



2019

THIRD QUARTERLY REPORT

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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

# FINANCIAL RESULTS

## SUMMARY

- The Group recorded revenue of approximately RMB28.1 million for the nine months ended 30 September 2019, representing a decrease of approximately 50.6% as compared with the nine months ended 30 September 2018.
- The Group recorded a loss of approximately RMB5.7 million for the nine months ended 30 September 2019 as compared with a profit of approximately RMB6.4 million for the nine months ended 30 September 2018. The loss was mainly attributable to the significant decrease of over 50% in revenue and gross profit for the nine months ended 30 September 2019 as compared with the corresponding period in 2018 due to the overall sluggish economy and extended allocation cycle of our customers, while sales expenses and administrative expenses increased significantly as compared with the corresponding period in 2018.
- The basic loss per share for the nine months ended 30 September 2019 was approximately RMB0.80 cent, while the basic earnings per share for the nine months ended 30 September 2018 was approximately RMB0.96 cent.

# 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 and the nine months ended 30 September 2019, together with the comparative figures for the three months and the nine months ended 30 September 2018 as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2019

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	3	8,227	12,887	28,124	56,929
Cost of sales		(5,844)	(8,404)	(19,363)	(35,885)
Gross profit		2,383	4,483	8,761	21,044
Other income	4	33	114	648	261
Selling and distribution expenses		(1,929)	(1,452)	(4,462)	(3,652)
Administrative expenses		(4,316)	(2,970)	(10,859)	(8,628)
Finance costs	5	–	–	–	–
<b>Profit before income tax</b>		<b>(3,829)</b>	<b>175</b>	<b>(5,912)</b>	<b>9,025</b>
Income tax expense	6	249	(148)	179	(2,578)
Profit for the period attributable to the owners of the Company		<b>(3,580)</b>	<b>27</b>	<b>(5,733)</b>	<b>6,447</b>
Other comprehensive income/(loss) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		728	63	690	(110)
Total comprehensive income for the period attributable to the owners of the Company		<b>(2,852)</b>	<b>90</b>	<b>(5,043)</b>	<b>6,337</b>
Earnings per share	8				
— Basic and diluted (RMB cents)		<b>(0.48)</b>	0.004	<b>(0.80)</b>	0.96

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	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
<b>As at 1 January 2018</b>							
<b>(Audited)</b>	5,923	137,989	(11,131)	3,343	(9,013)	25,379	152,490
Profit for the period	-	-	-	-	-	6,447	6,447
Other comprehensive income:							
Exchange difference arising on translating of foreign operations	-	-	-	-	(110)	-	(110)
Total comprehensive income for the period	-	-	-	-	(110)	6,447	6,337
Transfer to statutory reserve	-	-	-	827	-	(827)	-
<b>As at 30 September 2018</b>							
<b>(Unaudited)</b>	5,923	137,989	(11,131)	4,170	(9,123)	30,999	158,827
<b>As at 1 January 2019</b>							
<b>(Audited)</b>	5,923	137,989	(11,131)	4,158	(8,971)	29,543	157,511
Profit for the period	-	-	-	-	-	(5,733)	(5,733)
Other comprehensive income:							
Exchange difference arising on translating of foreign operations	-	-	-	-	690	-	690
Total comprehensive income for the period	-	-	-	-	690	(5,733)	(5,043)
Issue of shares (Note)	1,177	26,480	-	-	-	-	27,657
Transaction costs attributable to the issue of shares	-	(643)	-	-	-	-	(643)
Transfer to statutory reserve	-	-	-	-	-	-	-
<b>As at 30 September 2019</b>							
<b>(Unaudited)</b>	7,100	163,826	(11,131)	4,158	(8,281)	23,810	179,482

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

*Note:*

On 25 June 2019, the Company placed 134,000,000 new shares at HK\$0.235 per share under general mandate for a total gross proceeds of HK\$31,490,000 (the “**Placing under the General Mandate**”). The net proceeds (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) will be used to finance the use of proceeds as referred to in the Company’s announcement dated 25 June 2019 in relation to completion of the Placing under the General Mandate. The proceeds of HK\$1,340,000 representing the par value of the shares of the Company, were credited to the Company’s share capital and the remaining proceeds of HK\$30,150,000 before issuing expenses, were credited to share premium account of the Company.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

## 1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Group is principally engaged in the manufacture and sales of office furniture products in the PRC. The shares of the Company were listed on the GEM on 20 January 2017.

## 2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2018 and 2019 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the GEM.

Other than the adoption of the new and revised HKFRSs during the accounting period from 1 January 2019, the basis of preparation and accounting policies adopted in the preparation of such unaudited condensed consolidated financial statements are the same as those followed in the preparation of the annual financial statements for the year ended 31 December 2018.

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

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

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

## 3. AN ANALYSIS OF THE GROUP'S REVENUE IS AS FOLLOWS:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sale of office furniture products	8,227	12,887	28,124	56,929

## 4. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income arising from unwinding contract assets with significant financing components	(14)	62	452	139
Bank interest income	2	13	146	45
Grants income and others	45	39	50	77
	33	114	648	261

## 5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	-	-	-	-

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

## 6. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax				
— Tax for the period	(189)	208	—	2,757
Deferred tax				
— Current period	(60)	(60)	(179)	(179)
	(249)	148	(179)	2,578

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

No Hong Kong profit tax was provided in the consolidated financial statements as the Group has no estimated assessable profit derived from and earned in Hong Kong during the nine months ended 30 September 2019 and 2018.

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

## 7. DIVIDENDS

The Board does not recommend the payment of an quarterly dividend for the nine months ended 30 September 2019 (the corresponding period in 2018: nil). No shareholder has agreed to waive dividends.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

## 8. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of 804,000,000 ordinary shares and 670,000,000 ordinary shares of the Company in issue for the three months and the nine months ended 30 September 2019 and 2018.

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
For the purpose of calculating the basic earnings per share for three months and nine months	(3,580)	27	(5,733)	6,447
	'000 shares	'000 shares	'000 shares	'000 shares
Number of shares used to calculate the basic earnings per share	804,000	670,000	804,000	670,000

Note: The calculation of the basic earnings per share attributable to the owners of the Company is based on the loss for the nine months ended 30 September 2019 of approximately RMB5.733 million (for the nine months ended 30 September 2018: a profit of approximately RMB6.447 million), and on the weighted average number of 804,000,000 shares of the Company in issue as of 30 September 2019 (30 September 2018: 670,000,000 shares in issue). The calculation also assumes as if the number of shares of the Company issued and outstanding immediately after the Reorganisation and the Capitalisation Issue had been issued and outstanding as of 1 January 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of office furniture products. 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 and Guizhou province. The Group sells its products to the customers mainly through two sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited ("**Sichuan Greenland**"), in Chengdu city and a branch office, Chongqing Branch Office ("**Chongqing Branch Office**") of Sichuan Greenland, in Chongqing city.

The impact of the "US-China trade war" continued, and China's macro economy is still facing further downward pressure. The national PRC government department has stipulated "No new construction of office buildings within the next five years, downsizing in office space, and new office furniture configuration standards to extend office furniture useful life", resulting in the reduction of government procurement of office furniture and corresponding extension of allocation cycle. Moreover, the increasingly strict environmental regulation of governments at all levels in China to a certain extent increased the pressure on product cost. The above factors have presented greater challenge to the Group's development. Affected by the above factors, the intensified domestic market competition in China and the decrease in overall demand in China, revenue achieved by the Group in the first nine months of 2019 was significantly lower than that in the corresponding period of 2018, and the Group expects to face major challenges and pressures in its operations in the coming one to two years.

As affected by the above conditions, the Group decided to reorganize the market strategies for the office furniture business and seek new businesses at the same time, in order to achieve sustainable growth.

# MANAGEMENT DISCUSSION AND ANALYSIS

First, the Group decided to suspend seeking new customers from markets outside the five provinces of Southwestern China and to focus its resources on adhering the traditional advantageous provinces instead, in order to overcome obstacles against the market. The provinces and autonomous regions to be suspended seeking include Guangdong Province, Jiangsu Province, Beijing city, Guangxi Autonomous Region, Gansu Province and Xinjiang Autonomous Region, mainly due to the large amount of input resources in the early stage but insignificant benefit in return for seeking new provinces and autonomous regions markets. The results can be said as half the effort under the current market condition. In order to meet the tough challenges, the Group decided to focus its resources to stabilize its market share in the traditional advantageous provinces such as Sichuan Province and Chongqing city, to actively participate in various office furniture bidding projects and to improve the successful bidding rate by appropriately reducing the gross margin of projects. Meanwhile, the Group gradually extends the technological research and development inputs on products year by year, in order to strengthen the Group's competitiveness in tendering and to extend the market share. In addition, the Group will further strictly control various cost expenses and reduce unnecessary energy consumption, striving to achieve the profit targets set by the Group.

Moreover, the Group decided to seek new businesses, identify various business opportunities to diversify its business and broaden its revenue base. With the 5G technology coming into commercial operation in the near future, the Group is of the view that the surge of data usage driven by digitisation and cloud computing will indirectly provide driving force for the continual growth of the data centre industry in the PRC. In addition, as the demand for the data centre services mainly originates from domestic customers, the impact of adverse factors such as the "US-China trade war" on its business is minimal. As such, the Group intended to acquire a target company which is principally engaged in provision of the data centre business in Shanghai, the PRC, details of which have been disclosed in the announcement of the Company dated 21 October 2019. Completion of the proposed acquisition is subject to the fulfillment (or waiver) of the conditions precedent set out in the sale and purchase agreement and therefore may or may not proceed. The Group considers that tapping into the data centre industry is in line with the interests of the Group and the shareholders as a whole, to maximise the corporate value of the Group for the Shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the nine months ended 30 September 2019, the Group generated revenue of approximately RMB28.1 million, representing a decrease of approximately RMB28.8 million or 50.6% as compared with the nine months ended 30 September 2018.

The revenue of Sichuan Greenland was approximately RMB24.4 million for the nine months ended 30 September 2019, representing a decrease of approximately RMB26.1 million or 51.7% as compared with the nine months ended 30 September 2018. Such decreases are mainly due to:

- (i) Revenue attributable to our historically strong sales provinces and autonomous regions such as Sichuan province, Yunnan province, Guizhou province, Chongqing city, Tibet Autonomous Region decreased by approximately RMB10.5 million or 30.2% as compared with the corresponding period in 2018. Except for the sales growth of Chongqing city of 28.7%, other provinces and regions have suffered a significant decline, in particular, a decrease of approximately RMB8.6 million or 30.8% was recorded in Sichuan province. The decrease in revenue from the above provinces and regions is mainly due to the fact that the revenue from financial institutions decreased from approximately RMB8.4 million for the first nine months of 2018 to approximately RMB3.9 million for the corresponding period in 2019, representing a decrease of approximately RMB4.5 million or 53.6%. In addition, orders from large customers during the first nine months of 2019 decreased significantly as compared with the corresponding period in 2018, and the average sales volume derived from new customers is relatively low, so the realized revenue did not make up for the decline in revenue of the above provinces and regions; and
- (ii) In the same period of 2018, the revenues of Guangxi Autonomous Region, Guangdong Province and Jiangsu Province were approximately RMB10.8 million, RMB1.6 million and RMB1.8 million. However, in the first nine months of this year, the above three provinces and regions have barely realized any revenues, which is the main reason for the decline in sales this year. This is mainly due to the non-continuous (or one-time) nature of the sales orders of the bidding customers. However, the orders of several major customers that were expected to be obtained were not finally obtained due to price, cost or time factors, and failed to make up for the reduced profits of existing customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

The revenue from Chongqing Branch Office was approximately RMB3.7 million for the nine months ended 30 September 2019, representing a decrease of approximately RMB2.7 million or approximately 43.2% as compared with the nine months ended 30 September 2018. Such decrease was primarily due to the six large customers contributing to revenues of approximately RMB4.2 million in the nine months ended 30 September 2018 as well as the decrease in the sales volume derived from customers in general for the nine months ended 30 September 2019. The realized revenue from the additional customers cannot cover the decrease in revenue from the decrease in existing customers.

## 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 nine months ended 30 September 2019, the Group's cost of sales amounted to approximately RMB19.4 million, representing a decrease of approximately RMB16.5 million or 46.0% from approximately RMB35.9 million for the nine months ended 30 September 2018. Such decrease was mainly attributable to (i) the Group's sales decreased by approximately RMB28.8 million; (ii) a decrease in the cost of raw materials used and cost of goods purchased of approximately RMB14.4 million; (iii) a decrease in salary of production staff of approximately RMB0.5 million; and (iv) a decrease in other production expenses of approximately RMB1.6 million.

## Gross profit

Gross profit decreased from approximately RMB21.0 million for the nine months ended 30 September 2018 to approximately RMB8.8 million for the nine months ended 30 September 2019. The gross profit margin decreased from approximately 37.0% for the nine months ended 30 September 2018 to approximately 31.2% for the nine months ended 30 September 2019. The decrease in gross profit was mainly attributable to the decrease in sales revenue exceeding the decrease in cost of sales. The sales revenue of the Group for the nine months ended 30 September 2019 decreased year-on-year by approximately RMB28.8 million or 50.6% as compared with the corresponding period in 2018, while the cost of sales only decreased by approximately RMB16.5 million or 46.0% as compared with the corresponding period in 2018, resulting in a significant decrease in total gross profit and gross profit margin.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Administrative expenses**

For the nine months ended 30 September 2019, the Group's administrative expenses amounted to approximately RMB10.9 million, representing an increase of approximately 25.9% from approximately RMB8.6 million for the nine months ended 30 September 2018. Such increase was mainly attributable to the significant increase in the product research and development expenses for the nine months ended 30 September 2019 as compared with the corresponding period in 2018.

## **Selling and distribution expenses**

For the nine months ended 30 September 2019, the selling and distribution expenses of the Group amounted to approximately RMB4.5 million, representing an increase of approximately 22.2% from approximately RMB3.7 million for the nine months ended 30 September 2018. Such increase was mainly attributable to the increase in amortization expenses for the renovation of the exhibition hall as compared with the corresponding period in 2018.

## **Income tax expense**

For the nine months ended 30 September 2019, the Group's income tax expense amounted to approximately RMB(0.2) million, representing a decrease of approximately 106.9% from approximately RMB2.6 million for the nine months ended 30 September 2018. Such decrease was mainly because the Group was not subject to income tax as it generated loss during the corresponding period, and also recorded deferred tax due to depreciation made on gain from asset valuation for tax deduction, which resulted in the negative amount of income tax for the current period.

## **PLEDGE OF ASSETS**

For the nine months ended 30 September 2019, the Group did not have any pledge of assets.

# OTHER INFORMATION

## 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 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the 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 Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held/interested	Percentage of shareholdings
Mr. Yi Cong	Interest of spouse (Note)	116,580,000 (Long position)	14.50%

Note:

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

Save as disclosed above, as at 30 September 2019, none of the Directors and the chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the 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 Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by Directors.

## OTHER INFORMATION

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

As at 30 September 2019, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares held/interested	Percentage of shareholdings
Sun Universal Limited ("Sun Universal")	Beneficial owner	245,300,400 (Long position)	30.51%
Mr. Ma Gary Ming Fai ("Mr. Ma")	Interest in a controlled corporation (Note 1)	245,300,400 (Long position)	30.51%
Ms. Hung Fung King Margaret	Interest of spouse (Note 2)	245,300,400 (Long position)	30.51%
Brilliant Talent Global Limited	Beneficial owner (Note 3)	116,580,000 (Long position)	14.50%
Ms. Zhang Gui Hong	Interest in a controlled corporation (Note 3)	116,580,000 (Long position)	14.50%

## OTHER INFORMATION

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 for the purpose of Part XV of the SFO.
2. Ms. Hung Fung King Margaret is the spouse of Mr. Ma. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the SFO.
3. The entire issued share capital of Brilliant Talent Global Limited is legally and beneficially owned by Ms. Zhang Gui Hong. Ms. Zhang Gui Hong is deemed to be interested in the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 September 2019, the Company had not been notified by any person who had interests or short positions in the shares, underlying shares or debentures of the Company required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

### SHARE OPTION SCHEME

The shareholders of the Company approved and adopted the share option scheme of the Company (the “**Share Option Scheme**”) by way of written resolutions on 19 December 2016. Since the adoption, no share option has been granted under the Share Option Scheme, and no share option has been granted as at 30 September 2019.

### DEED OF NON-COMPETITION

A deed of non-competition (the “**Deed of Non-Competition**”) dated 19 December 2016 was entered into by Mr. Ma and Sun Universal (being controlling shareholders of the Group) in favour of the Company (for the benefit of itself and each of its subsidiaries). The details of the Deed of Non-Competition have been disclosed in the Prospectus under the section headed “Relationship with Controlling Shareholders — Non Competition Undertakings”.

## OTHER INFORMATION

### POTENTIAL COMPETING INTERESTS

Mr. Ma 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**”). 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 manufacturing of sofas and sofa-beds for export to places outside the PRC. Mr. Ma confirms that Myshowhome International and Myshowhome HK are both investment holding companies. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in the Prospectus.

Save as disclosed above, none of the controlling shareholders, the Directors and 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, directly or indirectly, with the Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules since the Listing Date and up to the date of this report.

Mr. Ma and Sun Universal have all confirmed to the Group of his/its compliance with the Deed of Non-Competition from the Listing Date and up to the date of this report. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of Mr. Ma and Sun Universal since the Listing Date and up to the date of this report.

### INTERESTS OF THE COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rules, the Company appointed Octal Capital Limited as the compliance adviser of the Company. As notified by Octal Capital Limited, neither they nor any of their directors, employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2019 (excluding the compliance adviser agreement entered into between the Company and Octal Capital Limited on 5 March 2018 (the “**Compliance Adviser Agreement**”)).

Pursuant to the Compliance Adviser Agreement above, and Octal Capital Limited have received and will receive fees for acting as the Company’s compliance adviser.

## OTHER INFORMATION

### AUDIT COMMITTEE

The Company established an 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 Exchange and the Company.

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

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the nine months ended 30 September 2019. 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.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 30 September 2019, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have bought 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 period from the Listing Date to 30 September 2019, the Company has complied with the applicable code provisions of the CG Code.

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

Hong Kong, 8 November 2019

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