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 2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

This announcement, for which the directors (the "Directors") of Zhi Sheng Group Holdings Limited (the "Company") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (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 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 of the Company (the "Board") is pleased to present the audited consolidated results of the Group for the year ended 31 December 2016, together with the comparative figures for the preceeding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
Revenue	*5*	**99,563**	86,862
Cost of sales		**(72,051)**	(62,505)
Gross profit		**27,512**	24,357
Other income	*6*	**388**	61
Selling and distribution expenses		**(4,388)**	(4,687)
Administrative and other expenses		**(18,531)**	(11,232)
Finance costs	*7*	**(1,776)**	(1,880)
Profit before income tax	*8*	**3,205**	6,619
Income tax expense	*9*	**(2,946)**	(2,352)
Profit for the year		**259**	4,267
Other comprehensive income for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(8,068)**	(112)
Total comprehensive income for the year attributable to the owners of the Company		**(7,809)**	4,155
Earnings per share			
— Basic and diluted (RMB cents)	*11*	**0.06**	1.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**54,140**	55,751
Payments for leasehold land held for own use under operating leases		**14,888**	15,229
Total non-current assets		**69,028**	70,980
Current assets			
Payments for leasehold land held for own use under operating leases		**230**	230
Inventories		**18,273**	35,686
Trade and other receivables	*12*	**46,745**	39,741
Tax recoverable		**–**	1,053
Cash and cash equivalents		**27,632**	19,981
Total current assets		**92,880**	96,691
Total assets		**161,908**	167,671
Current liabilities			
Trade and other payables	*13*	**30,545**	42,799
Bank borrowing	*14*	**30,000**	30,000
Amounts due to directors		**644**	3,900
Amounts due to shareholders	*15*	**13,845**	65,795
Tax payable		**236**	–
Total current liabilities		**75,270**	142,494
Net current assets/(liabilities)		**17,610**	(45,803)
Total assets less current liabilities		**86,638**	25,177

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Deferred tax liabilities		**5,936**	6,175
Total non-current liabilities		**5,936**	6,175
Total Liabilities		**81,206**	148,669
NET ASSETS		**80,702**	19,002
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**–**	62
Reserves	*17*	**80,702**	18,940
TOTAL EQUITY		**80,702**	19,002

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 2015	62	–	–	–	–	14,785	14,847
Profit for the year	–	–	–	–	–	4,267	4,267
Other comprehensive income: Exchange difference arising on translating of foreign operations	–	–	–	–	(112)	–	(112)
Total comprehensive income for the year	–	–	–	–	(112)	4,267	4,155
Transfer to statutory reserve	–	–	–	724	–	(724)	–
As at 31 December 2015 and 1 January 2016	**62**	**–**	**–**	**724**	**(112)**	**18,328**	**19,002**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**259**	**259**
Other comprehensive income: Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**(8,068)**	**–**	**(8,068)**
Total comprehensive income 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	**–**	**80,702**	**(11,131)**	**1,872**	**(8,180)**	**17,439**	**80,702**

* The share capital of the Group as at 31 December 2015 represented the aggregate amount of the share capital of the subsidiaries and was transferred to other reserve upon the reorganisation of the Group in connection with the listing of shares of the Company on the GEM (the "Reorganisation").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

Zhi Sheng Group Holdings Limited (the "Company") was incorporated in 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 Level 12, China Minmetals Tower, 79 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong and its headquarters is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the Peoples' Republic of China (the "PRC").

The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacture and sales of office furniture products in the PRC.

In connection with the listing of the shares of the Company on the GEM of the Stock Exchange, the Company underwent a reorganisation (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 the 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 using the merger basis of accounting as if the Reorganisation had been completed at 1 January 2015 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 years ended 31 December 2015 and 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 those years. The consolidated statement of financial position of the Group as of 31 December 2015 and 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 those dates. 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 2016

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of the 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.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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 HKFRSs, 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 reportable 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) Geographic 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.

	2016	2015
	RMB'000	*RMB'000*
Revenue from external customers		
The PRC (domicile)	**99,563**	86,862

The geographical location of revenue allocated is based on the location at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets. The Group has majority of its operation and workforce in the PRC. Therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

(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:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**35,401**	25,762

5. REVENUE

Revenue represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value added tax. An analysis of the Group's revenue and other income is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of office furniture products	**99,563**	86,862

6. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Income from trade payables written off	**168**	–
Interest income	**38**	61
Government grants	**182**	–
	388	61

7. FINANCE COSTS

	2016 *RMB'000*	2015 *RMB'000*
Interest on bank and other borrowing	**1,776**	1,880

8. PROFIT BEFORE INCOME TAX

	2016 *RMB'000*	2015 *RMB'000*
Auditor's remuneration	**600**	–
Listing expenses	**8,060**	2,604
Loss on disposal of property, plant and equipment	**4**	–
Cost of inventories recognised as expense	**72,051**	54,636
Depreciation of property, plant and equipment	**3,071**	3,111
Amortisation of payments for leasehold land held for own use under operating leases	**341**	341
Operating lease charges on rental premises	**1,424**	1,245
Staff costs (including directors' remuneration)	**9,391**	10,182

9. INCOME TAX EXPENSE

	2016 *RMB'000*	2015 *RMB'000*
Current tax		
— tax for the year	**3,185**	2,592
Deferred tax		
— current year	**(239)**	(240)
	2,946	2,352

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

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 2016 and 2015.

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

10. DIVIDENDS

No dividend has been paid or declared during the years ended 31 December 2016 and 2015 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 ordinary equity holders of the Group is based on the profit for the year ended 31 December 2016 of RMB259,000 (2015: RMB4,267,000), and on the basis of 402,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the Reorganisation and capitalisation issue but excluding any shares issued pursuant to the placing as if these shares issued under the Reorganisation and the capitalisation issue had been issued on 1 January 2015.

There were no potential ordinary shares in issue for the years ended 31 December 2016 and 2015. Accordingly, the diluted earnings per share presented are the same as basic earnings per share.

Pursuant to the written resolutions passed on 19 December 2016, the Directors authorised to capitalise a sum of approximately HK$4,019,900 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 401,990,000 ordinary shares of the Company (Note 18(b)).

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**16,229**	19,232
Other receivables	**1,370**	3,987
Prepayments and deposits	**29,146**	16,522
	46,745	39,741

At 31 December 2016, among the other receivables, RMB933,000 (2015: RMB729,000) 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 Furniture Co., Limited) ("Sichuan Greenland"), an indirect wholly owned subsidiary of the Company. The balance is interest free, unsecured and repayable on demand.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit periods on sales of goods for customers are normally within 90 days from invoice date.

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**6,871**	3,690
More than 3 months	**9,358**	15,542
	16,229	19,232

The ageing of trade receivables which are not impaired are as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**12,528**	11,569
Less than 1 month past due	**816**	465
1 to 3 months past due	**269**	3,069
More than 3 months but less than 6 months past due	**609**	1,668
More than 6 months past due	**2,007**	2,461
	16,229	19,232

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

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**7,252**	10,568
Other payables and accruals	**15,006**	6,474
Receipts in advance	**8,287**	25,757
	30,545	42,799

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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**2,122**	4,623
More than 3 months	**5,130**	5,945
	7,252	10,568

14. BANK BORROWING

	2016	2015
	RMB'000	*RMB'000*
Bank borrowing repayable within one year, secured and guaranteed	**30,000**	30,000

Notes:

(i) As at 31 December 2016 and 2015, the interest rate of the bank borrowing consist of two components (i) the benchmark interest rate and (ii) 20% of the benchmark interest rate. The average effective interest rates are 5.66% during the year ended 31 December 2016 (2015: 5.87%).

(ii) As at 31 December 2015, the bank borrowing was guaranteed personally by Mr. Luo and 李燕玲 Ms. Li Yan Ling ("Ms. Li"), the then owners of Sichuan Greenland, and a company, which is owned by Mr. Luo and Ms. Li (collectively known as the "Guarantee").

(iii) The bank borrowing was secured by payments for leasehold land held for own use under operating leases ("Pledged Asset A") and properties ("Pledged Asset B") of another company, which is owned by Mr. Luo and Ms. Li.

(iv) In April 2016, the bank issued a statement to confirm the release of the Guarantee and the Pledged Asset B. In addition to the Pledged Asset A, the Group has further entered into a pledge agreement with the bank by which buildings owned by the Company are pledged as securities to the bank borrowing. As at 31 December 2016, Pledged Asset A and buildings owned by the Company with carrying amounts of approximately RMB15,118,000 and RMB50,741,000 were pledged to secure the bank borrowing respectively.

15. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders are 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 (2015: RMB39,203,000) was due to Mr. Ma Gary Ming Fai ("Mr. Ma"), a Director of the Company.

16. SHARE CAPITAL

	Number	*RMB'000*
Authorised:		
Ordinary shares 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	1,500,000,000	13,493
Issued and fully paid		
Ordinary shares 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	10,000	–

Notes:

(a) The share capital of the Group as at 31 December 2015 represented the aggregate amount of the subsidiaries 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 resolutions 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), 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, 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% shares of Smart Raise Holdings Limited ("Smart Raise BVI") representing all its issued shares in aggregate, from Mr. Ma, Oasis, Ms. Sum and Ms. Zhang respectively. The consideration was satisfied by the Company crediting as fully paid at par the (i) 6,102 nil paid ordinary shares of the Company held by Sun Universal (including one nil paid subscriber ordinary share) with instruction from Mr. Ma; (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 RMB69,510,000) 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.

17. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2016 and 2015 are presented in the consolidated statements of changes in equity.

18. EVENTS AFTER REPORTING DATE

The following significant events took place subsequent to 31 December 2016:

(a) The Company's shares were listed on the GEM on 20 January 2017 and 268,000,000 ordinary shares were issued at HK$0.31 per share on 19 January 2017 (the "Placing") in connection with the listing of the Company on the GEM as detailed in the Prospectus and the announcement of the Company dated 19 January 2017, among others, in relation to the allotment results of the Placing (the "Announcement"). After deducting related listing expenses, the net proceeds of the Placing are approximately HK$59,700,000 (equivalent to approximately RMB53,724,000).

(b) Pursuant to the written resolutions passed on 19 December 2016, the Directors authorised to capitalise a sum of approximately HK$4,019,900 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 401,990,000 ordinary shares of the Company.

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 and Yunnan province. The Group operates a sales office, Sichuan Greenland, in Chengdu city and a branch office, Chongqing Branch Office ("Chongqing Branch Office") of Sichuan Greenland, in Chongqing city.

On 20 January 2017, the Company was successfully listed on GEM. The proceeds received from the Placing have strengthened the Group's cash flow and the Group will implement its future plans and business strategies as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

We believe that up to the date of this announcement, there was no significant change in the market as disclosed in the section headed "Industry Overview" in the Prospectus.

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 its 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 recorded a revenue of approximately RMB99.6 million in 2016, representing an increase of approximately 14.6% over 2015.

Meanwhile, the Group has executed strict control on costs and expenses and achieved positive results. The Group recorded a profit of approximately RMB0.3 million in 2016. The decrease in profit in 2016 as compared to 2015 was due to the recognition of listing expenses of approximately RMB8.1 million in 2016.

The above business strategy laid a solid foundation for the achievement of the profit target of the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the revenue was approximately RMB99.6 million, representing an increase of approximately 14.6% as compared to the year ended 31 December 2015. The revenue of Sichuan Greenland was approximately RMB89.1 million, representing an increase of approximately 13.9% as compared to the year ended 31 December 2015. The revenue of Chongqing Branch Office was approximately RMB10.5 million, representing an increase of approximately 20.7% as compared to the year ended 31 December 2015.

Such increases were primarily due to (i) new orders in the amount of approximately RMB13.0 million in aggregate in 2016 placed through direct sales by three new customers, which were private entities; and (ii) an increase in orders in the amount of approximately RMB9.6 million from the Group's largest customer in 2016 as compared to 2015.

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 2016, the Group's cost of sales amounted to approximately RMB72.1 million, representing an increase of approximately 15.4% from approximately RMB62.5 million for the year ended 31 December 2015. Such increase was mainly due to overall growth in revenue.

Gross profit

Gross profit increased from approximately RMB24.4 million for the year ended 31 December 2015 to approximately RMB27.5 million for the year ended 31 December 2016. Gross profit margin decreased slightly from approximately 28.1% for the year ended 31 December 2015 to approximately 27.6% for the year ended 31 December 2016.

Other income

For the year ended 31 December 2016, the Group's other income amounted to approximately RMB0.4 million, representing an increase of approximately 555.7% from RMB61.0 thousand for the year ended 31 December 2015. Such increase was mainly attributable to (i) the government grants of approximately RMB0.2 million received by Sichuan Greenland and (ii) the income from trade payables to a supplier of Chongqing Branch Office of approximately RMB0.2 million written off as the supplier had ceased its operation.

Administrative and other expenses

For the year ended 31 December 2016, the Group's administrative and other expenses amounted to approximately RMB18.5 million, representing an increase of approximately 65.2% approximately from RMB11.2 million for the year ended 31 December 2015. Such increase was mainly attributable to the recognition of listing expense of approximately RMB8.1 million in 2016.

Selling and distribution expenses

For the year ended 31 December 2016, the Group's selling and distribution expenses amounted to approximately RMB4.4 million, representing a decrease of approximately 6.4% from approximately RMB4.7 million for the year ended 31 December 2015. Such decrease was mainly attributable to the decrease in advertising fees.

Income tax expense

For the year ended 31 December 2016, the Group's income tax expense amounted to approximately RMB2.9 million, representing an increase of approximately 20.8% from approximately RMB2.4 million for the year ended 31 December 2015. Such increase was mainly attributable to an increase in taxable profit of the Group generated in 2016.

Profit for the year

For the year ended 31 December 2016, the Group's profit amounted to approximately RMB0.3 million, representing a decrease of approximately 93.0% from approximately RMB4.3 million for the year ended 31 December 2015. Such decrease was mainly attributable to the recognition of listing expenses of approximately RMB8.1 million in 2016.

Trade and other receivables

Trade and other receivables increased from approximately RMB39.7 million as at 31 December 2015 to approximately RMB46.7 million as at 31 December 2016. Such increase was mainly attributable to the increase in prepayments of listing expenses and for purchase of mainly raw materials and finished goods.

Trade and other payables

Trade and other payables decreased from approximately RMB42.8 million as at 31 December 2015 to approximately RMB30.5 million as at 31 December 2016. Such decrease was mainly attributable to an increase in accrued listing expenses and a decrease in receipt in advance of Sichuan Greenland due to delivery of orders in 2016.

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

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 2016 (the "Review Period"):

Business Objectives	**Actual Business Progress**
Renovation and refurbishment of our exhibition hall to enhance customer experience	Commencement of renovation of our exhibition hall at our Chengdu headquarters
Purchase machinery and equipment for our production facilities and strengthen our production capability	Identification of target machinery and equipment

The Company successfully listed on GEM by way of Placing. Net proceeds from the Placing amounted to approximately HK$59.7 million (after deducting the underwriting fees and other related expenses payable in connection with the Placing).

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

	Adjusted use of proceeds in the same manner and proportion as stated in Prospectus *HK$ million*	Actual use of proceeds during the Review Period *HK$ million*
Renovation of our exhibition hall in Sichuan Greenland	5.0	1.5 *(Note)*
Acquisition of machinery and equipment	10.9	0
Repayment of existing short-term bank borrowings	42.8	0
Working capital and other general corporate purposes	1.0	0
	59.7	1.5

As at the date of this announcement, the unutilised proceeds were placed on interest-bearing deposits with licensed banks in Hong Kong and the PRC.

Note: The Company utilised its internal resources for the renovation of exhibition hall in Sichuan Greenland before obtaining the proceeds.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

In 2016, the Group's principal sources of funds were cash generated from operations, bank borrowing and/or advance from directors or shareholders. The Group recorded net current assets of approximately RMB17.6 million as at 31 December 2016, compared to net current liabilities of approximately RMB45.8 million as at 31 December 2015, which was mainly due to decrease in amounts due to shareholders after capitalisation of shareholders' loans of approximately RMB69.5 million in December 2016. As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB27.6 million and bank borrowing repayable within one year of RMB30,000,000 with average effective interest rate of 5.66% in 2016. Its financial position has been further enhanced by the Placing proceeds obtained in January 2017.

CAPITAL STRUCTURE

For the year ended 31 December 2016, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. Borrowing from bank was denominated in RMB.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's revenue and expenses are mainly denominated in RMB and most of its assets and liabilities are denominated in RMB, which is its functional currency, the currency risk resulting from its daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy.

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 calculated as total debts divided by total equity was 0.8 (2015: 6.9). Total debts represents all liabilities excluding trade payables, tax payable, deferred tax liabilities and provision (if any). Such improvement was mainly attributable to (i) the increase in the Company's reserves as a result of listing, reorganisation and issuance of shares; and (ii) repayment of payables.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had no significant capital commitments.

PLEDGE OF ASSETS

As of 31 December 2016, the land use rights and property of the Group's production facilities in Chengdu City were pledged as security for a bank borrowing in the amount of RMB30.0 million.

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.

CONTINGENT LIABILITIES

The Group was a defendant in a lawsuit in relation to a contract dispute regarding a sale agreement entered into between the plaintiff, which was its customer, and the Group (the "Agreement"). On 20 May 2014, the plaintiff filed a lawsuit with the People's Court of Qingyang District, Chengdu City, Sichuan Province (成都市青羊區人民法院) ("Qingyang District Court") on the ground that the Group had provided substandard products and delayed the delivery and assembling of the product and that resulted in a breach of the Agreement. The plaintiff requested the Group to (i) continue to perform the Agreement, replace products not matching the specifications in the Agreement and deliver undelivered products under the Agreement; (ii) pay an amount of RMB800,000 to compensate the plaintiff in respect of economic loss suffered; (iii) pay damages in the amount of RMB5,000 per day for breach of contract; and (iv) pay damages in the amount of RMB203,696 for intentionally delivering sub-standard products. The Group filed a counterclaim with Qingyang District Court. On 6 August 2015, Qingyang District Court ruled in favour of the plaintiff, pursuant to the judgment of Qingyang District Court the Group was required to deliver and replace products to the plaintiff in consideration of payment by the plaintiff in the amount of RMB140,000 (the "Judgments of First Instance"). The Group disagreed and subsequently filed a notice of appeal on 21 January 2016 to the Intermediate People's Court of Chengdu City, Sichuan Province (成都市中級人民法院) against the Judgments of First Instance. The plaintiff also filed an appeal on the Judgments of First Instance and requested the Group to (i) pay an amount of RMB1,400,000 for delayed delivery and installation as liquidated damages; (ii) pay damages in the amount of RMB82,000 for intentionally delivering sub-standard products as liquidated damages; and (iii) bear litigation costs. On 19 December 2016, Sichuan Province Intermediate People's Court made civil judgments ("Judgments of Second Instance"): (i) the original sentence of Qingyang District Court on the delivery and replacement of furniture was upheld; (ii) the operating expenses paid by the plaintiff to the Group was changed from RMB140,000 to RMB114,000; (iii) the Group shall pay the plaintiff an amount of RMB140,000 as liquidated damages for delayed delivery and installation of furniture and an amount of RMB5,000 as liquidated damages for sub-standard products. On 5 January 2017, the Group submitted a retrial request on the Judgments of Second Instance to Sichuan Higher People's Court (四川省高級人民法院) ("Sichuan Provincial High Court"). Up to the date of this announcement, Sichuan Provincial High Court has not yet made a decision on whether to accept the retrial request.

Save as disclosed above, the Group had no significant contingent liabilities as at the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group engaged a total of 242 employees (2015: 243) including the Directors. For the year ended 31 December 2016, total staff costs amounted to approximately RMB9.4 million (2015: approximately RMB10.2 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 any 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

The Company successfully listed on GEM by way of placing of 268,000,000 shares of the Company at the placing price of HK$0.31 per share on 20 January 2017. Net proceeds from the placing amounted to approximately HK$59.7 million (after deducting the underwriting fees and other related expenses).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year ended 31 December 2016, 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 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 2016.

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 2016 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 period from 20 January 2017 (the "Listing Date") 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 2016 (2015: Nil). No shareholder has agreed to waive dividends.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM of the Company will be held on Friday, 23 June 2017 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, 20 June 2017 to Friday, 23 June 2017, 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, 19 June 2017.

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 2016 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the listing of the shares of the Company was subsequent to the year ended 31 December 2016, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities for the year ended 31 December 2016.

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

Hong Kong, 24 March 2017

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.