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

2017
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK 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 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 (together the "Group"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.

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CORPORATE INFORMATION

REGISTERED OFFICE

Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3/F, 222 Tianren Road
Gaoxin District
Chengdu City
Sichuan Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 17/F, Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

EXECUTIVE DIRECTORS

Mr. Yi Cong *(Chief Executive Officer)*
Mr. Liang Xing Jun

NON-EXECUTIVE DIRECTOR

Mr. Ma Gary Ming Fai *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

AUTHORISED REPRESENTATIVES

Mr. Yi Cong
Ms. Leung Yuk Yi

COMPLIANCE OFFICER

Mr. Yi Cong

COMPANY SECRETARY

Ms. Leung Yuk Yi

AUDIT COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

REMUNERATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

NOMINATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

COMPLIANCE ADVISER

(appointed on 5 March 2018)
Octal Capital Limited
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8/F, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

LEGAL ADVISER

Guantao & Chow Solicitors and Notaries
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16/F, ICBC Tower
3 Garden Road Central
Hong Kong

CORPORATE INFORMATION

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central Hong Kong

PRINCIPAL BANKERS

China Citic Bank
China Minsheng Bank
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1–1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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COMPANY'S WEBSITE ADDRESS

www.qtbgjj.com

STOCK CODE

8370

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the annual results of the Group for the year ended 31 December 2017.

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 very 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 faces more vigorous challenge in its development. Nevertheless, the Group consolidated the Group's market share in the five provinces in the southwest based on the established sales strategy and strengthened the development of Jiangsu, Beijing, Guangdong and other developed provinces and the northwest regions and made certain achievements in broadening the geographical coverage and reaching new customers in these regions. In addition, although the increasingly strict environmental regulation of governments at all levels in China to a certain extent increased the pressure on product cost, it presents 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 the previous year.

The Group generated a revenue of approximately RMB97.0 million for the year ended 31 December 2017 as compared to approximately RMB99.6 million over the same period in 2016, representing a decrease of approximately 2.6% over the same period in 2016. The Group recorded a profit of approximately RMB9.6 million for the year ended 31 December 2017 as compared to approximately RMB0.3 million over the same period in 2016, representing an increase of approximately 3,100.0% over the same period in 2016. The increase in profit was mainly attributable to the increase in the profit margin for the year ended 31 December 2017 as compared with the corresponding period in 2016, and the decrease in listing expenses of approximately RMB5.7 million as compared with the corresponding period in 2016. The Group's basic earnings per share for the twelve months ended 31 December 2017 was approximately RMB1.46 cents, while the basic earnings per share for the twelve months ended 31 December 2016 was approximately RMB0.06 cents.

The Company successfully listed on GEM on 20 January 2017. The net proceeds raised from listing will help the Group to implement its business strategies, which 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 to enhance its competitiveness in the office furniture market and retain more customers. Also, the listing may enhance our reputation and brand as a reliable supplier of quality office furniture to government, corporate and institutional customers in the PRC.

CHAIRMAN'S STATEMENT

Looking forward, the Group will make steady progress in accordance with the plans formulated before its listing and its actual operational conditions, so as to facilitate effective implementation of the business objectives of the Company and bring benefits from it. The Group has carried out the renovation of the exhibition halls in Chengdu and Chongqing as planned, which will help enhance the attractiveness of the Group's products and the brand image. Meanwhile, the Group has started purchasing and implementing the advanced production equipment as planned. It is estimated that production efficiency will be enhanced and costs will be gradually controlled in the coming year, and the competitiveness of the Group's tenders will be enhanced.

In terms of sales strategy, the Group will secure its market share in five southwest provinces through our sales office under Sichuan Greenland Furniture Co., Limited ("Sichuan Greenland") and strengthen the development in developed provinces and municipalities such as Jiangsu, Beijing and Guangdong and the northwestern regions of the PRC, with a view to extending its geographical coverage and developing new customers in those districts. Although sales in the five provinces in the southwest are subject to more severe competition and the markets in other provinces and regions are not going to be easy, the Group believes that, with the efforts of the Group and the implementation of the above sales strategies, the business expansion in the above areas will still be new sales growth drivers, which will provide strong support for meeting the revenue growth target of the Group for the coming years.

Meanwhile, the Group will further adopt effective measures to exercise strict control over the growth of manpower, sales and distribution and administrative expenses and ensure successful achievement of the profit target set by the Group.

APPRECIATION

We are aware of the challenges in the business environment in the foreseeable future. The competition in the office furniture market will also become even more intense with profit margin under pressure. In the current rapid changing business environment, the great challenge presented to the Board and management team is on how to be adaptive to this business environment so as to seize every good investment opportunity to minimize risk and maximise return to shareholders in general. I am optimistic toward the challenging year of 2018 ahead of us. On behalf of the Board, I would like to extend my sincere gratitude to our valued customers, business partners and shareholders for their constant support and trust, and express my heartfelt appreciation to the management team and all staff for their hard work and dedication to the development of the Group.

Yours faithfully

Ma Gary Ming Fai
Chairman

Hong Kong, 21 March 2018

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 and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB392,000, representing an increase of approximately 1.0% from RMB388,000 for the year ended 31 December 2016. Such increase was mainly attributable to the Group's interest income from other receivable of approximately RMB117,000 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 by the way of placing ("Placing") 268,000,000 ordinary shares issued at $0.31 per share on 19 January 2017. 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 HK$ million	Actual use of proceeds during the Review Period 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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 report, no administrative sanction, penalty or punishment has been imposed upon the Group for the violation of any environmental laws or regulations.

DISCLOSURE REQUIRED UNDER RULE 18.35 OF THE GEM LISTING RULES

The valuation amount of properties and land of the Group as at 31 October 2016, according to the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as included in the Prospectus was RMB64,460,000.

Had all the property and land interests been stated at such valuations, the additional annual depreciation would be nil as there would be revaluation deficit of the property and the additional annual amortisation would be approximately RMB13,000.

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.

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Group's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules"). During the period from 20 January 2017 (the "Listing Date") to the date of this report (the "Period"), the Group has complied with the applicable code provisions of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and oversees the management of the business and affairs of the Group. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

The day-to-day management, administration and operation of the Group are delegated to the executive Directors. The independent non-executive Directors are responsible for participating in Board meetings and to take the lead where potential conflicts of interest arise and for serving on the audit, remuneration nomination and any other governance committees, if invited.

The Board is responsible for making decisions on all major aspects of the Group's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions, major capital expenditure, appointment of Directors and other significant financial and operational matters.

Board Composition

Up to the date of this report, the Board comprised six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors:

Mr. Yi Cong *(Chief Executive Officer and compliance officer)* (appointed on 19 May 2016)
Mr. Liang Xing Jun (appointed on 19 May 2016)

Non-executive Director

Mr. Ma Gary Ming Fai *(Chairman)* (appointed on 4 March 2016)

Independent Non-executive Directors

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Kwok Sui Hung (appointed on 17 December 2016)

CORPORATE GOVERNANCE REPORT

The details of Directors are set out in the section headed "Biographies of Board of Directors and Senior Management" on pages 42 to 44 of this report. Other than that the wife of Mr. Yi Cong is the sister of the wife of Mr. Liang Xing Jun, there are no family or other material relationships among members of the Board.

The Group is governed by the Board which has the responsibility for leadership and monitoring of the Group. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

Number of Meetings and Directors' Attendance

As the Group became listed on 20 January 2017, the Board will conduct at least 4 regular meetings a year. At least a 14-day notice will be given to all Directors before convening any Board meeting. All related information will be submitted to the Directors at least 3 days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "Articles").

For the year ended 31 December 2017, the Group held four Board meetings, two audit committee (the "Audit Committee") meetings, two remuneration committee (the "Remuneration Committee") meetings and two nomination committee (the "Nomination Committee") meetings. All minutes of the Board meetings and meetings of Board committees recorded in sufficient detail the matters considered by the Board and the decisions reached. Details of the attendance of Directors are as follows:

	Attendance/Number of meetings			
Name of Directors	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Mr. Yi Cong	3/4	–	–	–
Mr. Liang Xing Jun	4/4	–	–	–
Non-executive Director:				
Mr. Ma Gary Ming Fai	3/4	–	–	–
Independent Non-executive Directors:				
Mr. Chan Wing Kit	4/4	2/2	2/2	2/2
Ms. Cao Shao Mu	3/4	2/2	2/2	2/2
Mr. Kwok Sui Hung	4/4	2/2	2/2	2/2

The company secretary of the Company ("Company Secretary") attended all the scheduled Board meetings to report on matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice will be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions.

Appointment and Re-election of Directors

The Group's Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The non-executive Directors should be appointed for a specific term and subject to re-election. Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company. The appointment letter of each of the non-executive Director and independent non-executive Directors is for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles. Details of the appointment letters are summarised in the Report of the Board of Directors on page 36 of this report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Group recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations. Records of the training received by the respective Directors are kept and updated by the Company Secretary.

Independent non-executive Directors

Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung were appointed as the independent non-executive Directors with effect from 17 December 2016.

The Company has received from each of its independent non-executive Directors written confirmation of his/her independence. The Company considers the independent non-executive Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

Chairman and Chief Executive Officer

Mr. Ma Gary Ming Fai was appointed as the Chairman of the Board on 4 March 2016. Mr. Yi Cong was appointed as the chief executive officer of the Company (the "Chief Executive Officer") and an executive Director on 19 May 2016.

The Board believes that it is in the best interest of the Group to keep Mr. Ma Gary Ming Fai as the Chairman of the Board and Mr. Yi Cong as the Chief Executive Officer and an executive Director.

The Chairman of the Board provides leadership to the Board and is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group. These functions and responsibilities are current being shared by the management team.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEE

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung meanwhile 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 Group's internal control and risk management system, overseeing the balance, transparency and integrity of the Group'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 Group's accounting staff, their training programs and budget.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017. According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year. Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this report.

Remuneration Committee

The Remuneration Committee comprised 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 Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals, and ensure none of the Directors determine their own remuneration. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee determines Directors' remuneration by reference to benchmarks in the market. The Remuneration Committee also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Details of the number of Remuneration Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this report.

Senior Management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2017 falls within the following band:

RMB	Number of individuals
Nil to RMB1,000,000	3

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 11 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Nomination Committee

The Nomination Committee comprised 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 Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the Nomination Committee is available on the websites of the Stock Exchange and the Company.

The Board adopted the board diversity policy (the "Policy") in accordance with the requirement as set out in the CG Code. The Nomination Committee regularly monitors and reviews the implementation of the Policy. Details of the Policy are set out in the section headed "Board Diversity Policy" of this report.

The Nomination Committee has reviewed the structure, size and composition of the Board and the Policy as well as discussing matters regarding the retirement and re-election of Directors. Details of the number of Nomination Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this report.

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2017, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of the Group's auditor, BDO Limited, are set out in the Independent Auditor's Report on pages 45 to 49 of this report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the remuneration paid or payable to the Group's auditor was as follows:

Services rendered	HK$'000
Annual audit service for the year ended 31 December 2017	680
Total	680

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Group's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Group's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, details of which are set out in the corporate governance report on pages 15 to 25 of this report.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy in accordance with the requirement as set out in the CG Code, which is summarized as below:

The Policy of the Company specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills

The Nomination Committee will disclose the composition of the Board in Corporate Governance Report every year and supervise the implementation of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group 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 Group 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 report.

COMMUNICATION WITH SHAREHOLDERS

The Group endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Group will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Group will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

Significant Changes in the Constitutional Documents

During the Period, there has been no significant changes in the constitutional documents of the Group. The Articles are available on the websites of the Stock Exchange and the Company.

General Meetings with Shareholders

The Group's annual general meeting will be held on 15 June 2018.

SHAREHOLDERS' RIGHTS

(a) Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Group carrying the right of voting at general meetings of the Group shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Group.

(b) Procedures for putting forward proposals at shareholders' meetings

Pursuant to the Articles, shareholders who wish to move a resolution may requisition the Company to convene an extraordinary general meeting following the procedures set out above.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Group in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (http://www.qtbgjj.com) has provided an effective communication platform to the public and the shareholders.

COMPANY SECRETARY

The Company engages Ms. Leung Yuk Yi, the director of Merrytime Corporate Services Limited, which is an external service provider, as the Company Secretary. Her primary contact at the Company is Mr. Yi Cong, the Chief Executive Officer.

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

The Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In 2017, the Board, through the Audit Committee, has conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

In 2017, the Group has appointed Goal-Alliance Business Services Limited ("Goal-Alliance") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Goal-Alliance to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Goal-Alliance as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Principal Risks

In 2017, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	Sensitivity to government policies, market competition, reputation risk
Operational Risks	Insufficient labour supply, workplace injury and employee security risk, disruption of IT system, pricing risk
Financial Risks	credit risk, inflation risk
Compliance	Risk related to occupation safety and health; change of listing rules and relevant company regulations and ordinances

Our Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by Goal-Alliance. The Group maintains a risk register to keep track of all identified major risks of the Group, which is at least annually updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The risk management activities of the Group are performed by management on an ongoing process. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to continually improving its working environment, personnel training, supply chain management, corporate environmental protection and social responsibility while monitoring and implementing policies on environmental, social and governance matters in order to maintain its competitiveness in the industry, striving to provide investors with reasonable return and bring sustainable development to the Group.

This report has been compiled in accordance with Appendix 20 of the GEM Listing Rules of Hong Kong Exchanges and Clearing Limited, covering the period from 1 January 2017 to 31 December 2017. In the future, the Group will report on an annual basis to assist stakeholders in monitoring the Group's environmental, social and governance performance systematically.

A ENVIRONMENTAL PROTECTION

A1 Category of emissions

The main sources of greenhouse gas emissions are electricity, unleaded petrol, diesel and water for private passenger cars and light vehicles. Other emissions such as the release of noxious gases generated during paint spraying, dust generated during sanding, and solid hazardous waste including discarded paint buckets and used activated carbon.

A.1.1 Types of emissions and relevant emissions data

The Group owns automobiles. In 2017, the Group generated 95,102.02 grams of nitrogen oxide (NOx), 331.61 grams of sulphur oxides (SOx) and 8,999.49 grams of particulate matter emissions from its vehicles.

A1.2 Total greenhouse gas emissions

On the basis of the business characteristics of the Group, the greenhouse gas emissions of the Group mainly come from the direct emissions from automobiles, the electricity consumed by factories and indirect energy emissions from water.[1] Greenhouse gas emission units are tonnes of carbon dioxide equivalent. In 2017, the Group's direct emissions from vehicles (Scope I) amounted to 58.76 tonnes of carbon dioxide equivalent. The indirect energy emissions from electricity use (Scope II) was 356.64 tonnes of carbon dioxide equivalent, and other indirect emissions from government departments in the treatment of potable water (Scope III) was 4.11 tonnes of carbon dioxide equivalent. The total amount of greenhouse gas emissions was 419.51 tonnes of carbon dioxide equivalent, at a density of 6.66 tonnes of carbon dioxide equivalent for each one million RMB of cost of inventory.[2]

1 Other direct emissions, including gas generated during paint spraying, have been further treated in accordance with laws and regulations and analyzed by third parties. The Company believed that the analysis of the report will have no material impact and therefore no individual analysis will be conducted.

2 The density is calculated based on the cost of inventory in the note of the consolidated financial statements of the Group for the year ended 31 December 2017.

A1.3 Total amount and density of hazardous wastes generated

Hazardous wastes	Weight (tonnes)	Density	Composition included
Wasted paint ballast	2	0.3177	Benzene, toluene, xylene
Wasted organic solution	0.6	0.00953	n-Hexane, toluene, o-xylene
Wasted mineral oil	0.01	0.00016	C15-36 alkanes, polycyclic aromatic hydrocarbons (PAHs), olefins, benzene series, phenols
Discarded paint buckets	1.58	0.02510	Benzene, toluene, xylene
Used activated carbon	0.2	0.00318	Benzene, toluene, xylene

A1.4 Total amount and density of non-hazardous wastes generated

180 tonnes of non-hazardous wastes have been generated, including discarded fiberboards, at a density of 2.85905 for each one million RMB of cost of inventory.

A1.5 Methods of dealing with hazardous and non-hazardous wastes, emission reduction measures and the results obtained

The Group will be responsible for the collection of wastes generated during production, collecting and storing them with hazardous waste containers or bags, and entrusting the recycle and disposal to qualified recyclers so that wastes can be properly disposed of and the pollution to the environment can be reduced.

A1.6 Disposal of emissions

Type of emission	Treatment
Hazardous gases	In order to reduce the release of hazardous gases, the factory installed water spray facilities which can reduce the emission of painting mist through the water curtain. The painting mist would be settled through the water tank and savaged regularly. Also, the water of water curtain would be circulated instead of outward discharge.
Dusts	The Group installed a central suction and purification system that continuously supplies fresh air to the factory, maintaining the indoor temperature and humidity at comfortable levels and reducing potential hazards of fire or explosion and diluting hazardous air pollutants.
Solid wastes	The Group will comply with local regulations for all hazardous and non-hazardous wastes, collecting and storing them with hazardous waste containers or bags, and entrusting the recycle and disposal to qualified recyclers so that wastes can be properly disposed of and the pollution to the environment can be reduced.

A2 Resource usages

The Group requires its employees to save energy in the use of cars, electricity, water and paper. The use of cars during work should be upon the approval of the department manager. When the office equipment is not in use, the power should be turned off or switched to standby mode. Any case of dripping found should be promptly reported to the department of administration. Double-sided printing and reducing reprinting is encouraged in order to save paper.

Total consumption direct and/or indirect energy (such as electricity, gas or oil)

In 2017, the Group's electricity consumption was 548.04 MWh, at an energy consumption density of 8.67 MWh for each one million RMB of cost of inventory. Unleaded gasoline volume was 9,361 litres, at a density of 148.69 litres for each one million RMB of cost of inventory. Diesel fuel consumption was 12,049 litres, at a density of 191.38 litres for each one million RMB of cost of inventory.

Describing the total water consumption

During the reporting year, the total water consumption of offices and factories was 9,704 cubic metres, at 154.13 cubic metres for each one million RMB of cost of inventory.

Consumption of packaging materials

During the reporting year, the total amount of packaging materials used was 79,283 for woven bags, 24,292 for corner articles, 14,687 rolls for binding and 55,212 for cardboard boxes.

A3 Environment and Natural Resources

The Group has passed the ISO14001 authentication and established a comprehensive environmental management system. For the purpose of making the environmental management system going more smoothly, the Group provides related training to its employees, including environmental awareness, standards and guidelines, so that employees can understand and have the ability to conduct environmental management system implementation and maintenance work. The main objectives are to reduce the generation and emission of pollutants, promote the conservation of energy sources and raw materials, and achieve the goal of effective use of resources and environmental protection.

The Group will employ third-party companies annually to conduct inspections to ensure the discharging of waste water, the emission of exhaust gas and noise are compliance with local environmental laws and regulations.

B SOCIETY

B1 Employment

The Group seeks fairness and justice. It adopts open recruitment programs, including online recruitment advertisements and participation in job fairs held by third parties. In the recruitment process, the Group does not allow any form of discrimination, including gender, sexual orientation, disability, age, religion, family background or other personal characteristics protected by law.

Total number of employees by gender, age group and geographical region

At the end of 2017, there were 227 full-time employees in Sichuan Greenland. In terms of gender, the proportion of male staff was about 64% and that of female staff was about 36%. According to employee category, administrative management accounts for about 4%, administrative staff about 35% and manufacturing staff about 61%. According to the age of employees, about 2% of the staff were aged 18-25, 22% aged 26 to 35, 46% aged 36 to 45, 28% aged 46 to 55, and 2% of the staff were over 55 years old; in terms of office location, staff in Sichuan office and factory accounted for about 87% while staff in Chongqing Branch Office accounted for about 13%.

Employee turnover rate by gender, age group and geographical region[3]

The annual turnover rate of the Group is about 16%. There are 27 newly hired employees and 42 departing employees. The same is about 16% for both sexes by gender. In terms of age group, the highest turnover rate was among 18 to 25 years old, the turnover rate reaching 50%; followed by the group of over 55 years of age, among whom the turnover rate was 33%; followed by the group of 26-35 years old, among whom the turnover rate was 24% and the rate among the group of 46-55 years old was 13%; the lowest turnover rate appeared among the group of 36-45 years old, which was 8%; in terms of the office area, turnover rate in Chongqing Branch Office was higher, reaching 20% while that in Sichuan Greenland was 15%.

B2 Health and safety

During the reporting period, no work injury was recorded and no workday was lost due to work injury.

The Group attaches great importance to the safety of its employees. To safeguard its employees' health and safety, the Group has set up a sound occupation and health management system to fully supervise and control work safety. The Group aims to prevent any accidents from the very beginning and to strictly abide by the work safety rules to reduce the chances of accidents.

The Group also formulated a special emergency plan of production safety incidents to provide emergency responses to incidents of fire, flood control and restricted space operations. The emergency plan for flood control was formulated in accordance with the laws and regulations of Flood Prevention Law of the People's Republic of China and Emergency Response Plan for Accidents to reduce the casualties and property losses and safeguard the lives and safety of employees.

B3 Development and training

The Group believes that employees are the maximal asset. To help employees succeed, the Group provides different types of training, including industrial safety, machinery operation and environmental protection, to enable employees to upgrade the skills they need in the industry. In terms of employee category, the average number of training time for mid-level management personnel was 56 hours per year, while that for sales staff and front-line staff was 24 hours.

3 The annual turnover rates: Total number of departing employees for the year/(Total number of employees at the beginning of the year + Total number of newly hired employees for the year)

B4 Labor Guidelines

The Group prohibits child labor and forced labor. It also strictly complies with the relevant labor laws and regulations in China regarding working hours, rest and holidays. All employees must bring their ID cards, diplomas, social security cards and other documents when proceeding with the entry procedures. The Group never hires job seekers below 18. The Group also purchased social insurance and housing provident fund for employees according to state regulations. After signing labor contracts, the personnel department will apply for the social insurance on behalf of employees.

No violation of regulations was found about the Group in the past.

B5 Supply Chain Management

The Group believes that suppliers have a significant impact on production activities and products. Therefore, the Group has a strict selection system in selecting suppliers to evaluate suppliers' environmental protection and quality requirements. Suppliers that are selected will be included in the list of approved suppliers, and each year the Group will review on the quality of goods supplied, delivery speed, product quality certification and other performance, the unqualified suppliers will be deleted from the list of approved suppliers.

In the reporting year, the Group ordered materials from some 350 suppliers, by region, most of which were from Sichuan Province approximately 140 and Guangdong Province approximately 120, while others from Zhejiang Province and Jiangsu Province.

B6 Product liability

The Group is committed to providing customers with high-quality office furniture and a good after-sales service, to maintain long-term relations of cooperation. The Group has a quality monitoring team, monitoring the quality of furniture from all aspects.

No products sold or shipped were recovered for safety or health reasons and there was no complaint about products and services during the reporting year.

B7 Anti-corruption

The Group has formulated the Policy on Prevention of Commercial Corruption and Bribery and prohibited any form of fraud, including extortion and bribery, in the sales process. Employees shall not, directly or indirectly, provide, promise, give, demand or receive bribes or other misconduct and, in principle, employees are prohibited from directly or indirectly accepting gifts or any form of cash or cash equivalents.

No corruption litigation took place during the reporting year.

B8 Community investment

As a member offering ongoing support to community development, the Group also organizes various voluntary activities in addition to business activities to help disadvantaged groups in the community. The Group regularly organizes volunteer activities and provides corresponding assistance so that employees can actively participate in volunteer work and an overall ethos would be cultivated. During the reporting year, staff from Chongqing Office conducted visits to senior citizens in the community while staff from Chengdu office participated in tree planting activities.

REPORT OF THE BOARD OF DIRECTORS

The Directors of the Group presented their report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

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, the Chongqing Branch Office, 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 report, there was no significant change in the market as disclosed in the section headed "Industry Overview" in the Prospectus.

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 very 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 faces 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 the Group's 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 effectively expanded markets outside the southwest regions of the PRC.

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

The Group generated a revenue of approximately RMB97.0 million for the year ended 31 December 2017 as compared to approximately RMB99.6 million in 2016, representing a decrease of approximately 2.6% over the same period over the same period in 2016. Despite the fact that the Group's overall sales declined for the year ended 31 December 2017 as compared with the same period in 2016, the Group remains confident about its future development. The Group's efforts and sales strategy implemented prior to the current reporting period will lead to gradual results. It is expected that the Group will turn the corner for its sales and progressively resume its sales growth in the coming year.

Meanwhile, the Group has executed strict control on costs and expenses and achieved positive results. The Group recorded a profit of approximately RMB9.6 million for the year ended 31 December 2017 as compared to approximately RMB0.3 million over the same period in 2016, representing an increase of approximately 3,100.0% over the same period in 2016. The increase in profit was mainly attributable to the increase in the profit margin for the year ended 31 December 2017 as compared with the corresponding period in 2016, and the decrease in the listing expense of approximately RMB5.7 million as compared with the corresponding period in 2016. The Group's basic earnings per share for the twelve months ended 31 December 2017 was approximately RMB1.46 cents, while the basic earnings per share for the twelve months ended 31 December 2016 was approximately RMB0.06 cents.

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

Key Performance Indicators

The Group's tender sales were approximately RMB76.6 million, which represented approximately 79% of its total revenue for the year ended 31 December 2017. The following table sets out the breakdown of submitted tenders to potential customers for the year ended 31 December 2017:

	2017
Number of tenders submitted	**307**
Value of total tenders submitted	**RMB 143.7 million**
Number of tenders won	**227**
Success rate (by number of tenders submitted)	**73.9%**
Success rate (by value of tenders submitted)	**46.4%**

Future Developments and Prospects

Details of the future development of the business of the Group are set out in the section headed "Chairman's Statement" of this report in the Prospectus.

Principal Risks and Uncertainties

The Board believes major risk factors relevant to the Group have been disclosed in the section headed "Risk Factors" in the Prospectus. The analysis of other principal risks and uncertainties of the Group are summarised in the section headed "Principal Risks" of this report.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated with limited liability in the Cayman Islands on 4 March 2016.

The companies comprising the Group underwent a reorganisation ("Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares at par value of HK$0.01 each of the Company on GEM. Pursuant to the Reorganisation, the Group became the holding company of the subsidiaries comprising the Group on 19 December 2016. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

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

PRINCIPAL ACTIVITIES

The principal activity of the Group is investment holding. The principal activities of the Group's subsidiaries are set out in note 29 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The financial performance of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the financial statements on pages 50 to 101 of this report.

No interim or final dividend was declared and paid during the year ended 31 December 2017 (2016: Nil). No shareholder has agreed to waive dividends.

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the four years ended 31 December 2017 is set out on page 102 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 15 to the consolidated financial statements.

BANK BORROWING

During the year ended 31 December 2017, the Group has repaid a bank borrowing of RMB30.0 million on the maturity date of 28 July 2017. As of 31 December 2017, the Group has no other outstanding bank loans.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year ended 31 December 2017.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year ended 31 December 2017 are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the distributable reserves of the Group approximately amounted to RMB153.0 million, which was not recommended to be the payment of a final dividend for the year by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on the GEM of the Stock Exchange on 20 January 2017. During the period from the Listing Date to 31 December 2017, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have bought or sold any shares in the Company.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The Directors of the Group during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Mr. Yi Cong (appointed on 19 May 2016)
Mr. Liang Xing Jun (appointed on 19 May 2016)

Non-executive Director:

Mr. Ma Gary Ming Fai *(Chairman)* (appointed on 4 March 2016)

Independent Non-executive Directors

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Kwok Sui Hung (appointed on 17 December 2016)

Confirmation of Independence

Each independent non-executive Director has given the Group an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Group considers that all the independent nonexecutive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 42 to 44 of this report.

DIRECTORS' SERVICE CONTRACTS

(a) Executive Directors

Each of the executive Directors has entered into a service contract with the Group which became effective from the Listing Date and shall continue unless terminated in accordance with the terms therein. Under the terms of each service contract, the service contract may be terminated by not less than six months' notice served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

(b) Non-executive Director and independent non-executive Directors

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Group. Under the terms of the appointment letter, the appointment shall be for a term of three years commencing from the Listing Date and which may be terminated by not less than three months' notice served by either party on the other. The term of service of a Director is subject to the provisions on retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Group or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable within one year without payment of compensation other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors are recommended by the Remuneration Committee by reference to the benchmarks in the market. The Group also looks into individual Director's competence, duties, responsibilities, performance. Details of the Directors' remuneration and the five highest paid individuals are set out in note 11 to the consolidated financial statements.

PERMITTED INDEMNITY

The Articles provides that the Directors shall be indemnified and made harmless out of the assets and profits of the Group from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of their own fraud or dishonesty.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

Save as disclosed, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the year ended 31 December 2017.

REPORT OF THE BOARD OF DIRECTORS

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2017.

POTENTIAL COMPETING INTERESTS

As at 31 December 2017, Mr. Ma Gary Ming Fai ("Mr. Ma") remains 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. As the Group manufactures and sells office furniture and although the Group's focus is on office furniture while Myshowhome Group's focus is on sofas and sofa-beds, Myshowhome Group may potentially compete with the Group. 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 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.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

On 19 December 2016, Mr. Ma and Sun Universal Limited ("Sun Universal") (being controlling shareholders of the Group) entered into a deed of non-competition ("Deed of Non-Competition") in favour of the Company (for itself and each of its subsidiaries), pursuant to which each of Mr. Ma and Sun Universal, jointly and severally, warrants and undertakes with the Company that, immediately upon the Placing becoming unconditional, each of them shall not, and shall procure each of his/its close associates (other than the Group) shall not, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of the Group or members of the Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by the Group (including but not limited to the production and sale of office furniture and businesses ancillary to any of the foregoing). For further details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders — Non-Competition Undertakings" in the Prospectus.

Mr. Ma and Sun Universal have all confirmed to the Company of his/its compliance with the Deed of Non-Competition from the Listing Date 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 and duly enforced since the Listing Date and up to the date of this report.

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 31 December 2017, 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

Name of Director	Capacity/Nature of interest	Number of shares held/Interested	Percentage of shareholdings
Mr. Ma Gary Ming Fai	Interest in a controlled corporation *(Note 1)*	245,300,400 (Long position)	36.62%
Mr. Yi Cong	Interest of a spouse *(Note 2)*	116,580,000 (Long position)	17.40%

Notes:

1. The shares are held by Sun Universal Limited, the equity interest of which is owned as to 100% by Mr. Ma Gary Ming Fai. Accordingly, Mr. Ma Gary Ming Fai is deemed to be interested in all the shares held by Sun Universal Limited for the purpose of Part XV of the SFO.

2. 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 the date of this report, 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by Directors.

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

As at 31 December 2017, 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 Director	Capacity/Nature of interest	Number of shares held/Interested	Percentage of shareholdings
Sun Universal Limited	Beneficial owner	245,300,400 (Long position)	36.62%
Ms. Hung Fung King Margaret	*Interest of spouse (Note 1)*	245,300,400 (Long position)	36.62%
Brilliant Talent Global Limited	Beneficial owner *(Note 2)*	116,580,000 (Long position)	17.40%
Ms. Zhang Gui Hong	Interest in a controlled corporation *(Note 2)*	116,580,000 (Long position)	17.40%

Notes:

1. Ms. Hung Fung King Margaret is the spouse of Mr. Ma Gary Ming Fai. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the shares held by Mr. Ma Gary Ming Fai for the purpose of Part XV of the SFO.

2. The entire issued share capital of Brilliant Talent Global Limited is owned by Ms. Zhang Gui Hong. Accordingly, Ms. Zhang Gui Hong is deemed to be interested in all the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2017, the Directors have not been notified by any person who had interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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, in which certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for Shares in the Company. The Directors believe that the Share Option Scheme will assist in the recruitment and retention of quality executives and employees. Since the adoption, no share option has been granted under the Share Option Scheme, and no share option has been granted as at 31 December 2017. A summary of the principal terms of the share option scheme is set out in the section headed "Appendix V — Statutory and general information — D. Share option scheme" in the Prospectus.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Convoy Capital Hong Kong Limited, the Group's compliance adviser during the reporting period from the Listing Date onward, neither it nor any of its directors or 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 Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Convoy Capital Hong Kong Limited on 29 December 2016 (the "Compliance Adviser Agreement")) as at 31 December 2017.

Pursuant to the Compliance Adviser Agreement as at 29 December 2016, Convoy Capital Hong Kong Limited has received and will receive fees for acting as the Group's compliance adviser.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 15.0% and 32.5% (2016: 35.5% and 53.0%) of the total revenue of the Group, respectively. For the year ended 31 December 2016, the Group's purchase from the largest and the five largest suppliers accounted for 44.0% and 57.7% (2016: 47.5% and 59.2%) of the total purchases of the Group, respectively. At no time during the year ended 31 December 2017 did the Directors, their associates or any shareholder of the Group (which to the knowledge of the Directors, owns more than 5% of the Group's issued share capital) have any interest in the Group's major customers or suppliers as disclosed above.

CONNECTED/RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, the Group had not entered into any connected transaction or continuing connected transaction that is not exempted under Rule 20.71 of the GEM Listing Rules.

Remuneration to key management personnel of the Group, including Directors described in note 30 to the Group's consolidated financial statements are continuing connected transactions exempt from the connected transaction requirements under Rule 20.93 of the GEM Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Group are set out in the Corporate Governance Report on pages 15 to 25 of this report.

PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of the Directors, as of 31 December 2017, the Group has maintained the public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Group's Articles and the laws of the Cayman Islands, which would oblige the Group to offer new shares on a pro-rata basis to existing shareholders.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the forthcoming annual general meeting, 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 no transfer of shares of the Company will be effected. In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 11 June 2018.

AUDITOR

The consolidated financial statement for the year ended 31 December 2017 has been audited by BDO Limited, who will, being eligible, offer itself for reappointment as the auditor of the Group at the forthcoming annual general meeting. There has been no change in auditor since the date of the Listing.

By order of the Board of
Zhi Sheng Group Holdings Limited
Ma Gary Ming Fai
Chairman

Hong Kong, 21 March 2018

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yi Cong (易聰), aged 54, is an executive Director, one of the founders of Sichuan Greenland, the Chief Executive Officer and the compliance officer of the Company. Mr. Yi was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. He is primarily responsible for the overall business strategies, planning and development of the Group, managing key customer relationships and overseeing sales and marketing of the Group. Mr. Yi graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (電子科技大學)) in September 1989 with a college diploma* (專科) majoring in wireless electronics. Mr. Yi was recognised by the Chengdu Chamber of Commerce for Furniture Industry* (成都市傢俱行業商會) as the "Person of the Year"* (年度風雲人物) in 2010 and an "Influential Entrepreneur in China Furniture Industry"* (影響中國行業傑出企業家) in 2012. Mr. Yi Cong's wife, Ms. Zhang Gui Hong ("Ms. Zhang"), is the sister of Mr. Liang Xing Jun's wife. Ms. Zhang is the sole shareholder of Brilliant Talent Global Limited, one of the substantial shareholders of the Group, which owns 116,580,000 shares of the Group. Accordingly, Mr. Yi Cong is deemed to be interested in all the shares which Ms. Zhang is interested for the purpose of Part XV of the SFO.

Mr. Liang Xing Jun (梁興軍), aged 54, was appointed as a Director on 19 May 2016 and re-designated as the executive Director of the Group on 19 December 2016. He is primarily responsible for the overall production management of the Group. Mr. Liang joined the Group in 1996 and has over 20 years of experience in the furniture industry. Mr. Liang graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (中國電子科技大學)) in July 1984 with a college diploma* (專科) in vacuum electronic technology* (真空電子技術). Mr. Liang Xing Jun's wife is the sister of Mr. Yi Cong's wife.

NON-EXECUTIVE DIRECTOR

Mr. Ma Gary Ming Fai (馬明輝), aged 54, is the chairman of the Board, a non-executive Director and a controlling shareholder of the Company. Mr. Ma was appointed as a Director on 4 March 2016 and was redesignated as non-executive Director of the Group on 19 December 2016. With over a decade of experience in the furniture industry (including holding of senior management positions in a Hong Kong listed company engaged in the manufacturing, trading and retailing of home furniture), Mr. Ma provides leadership, vision and guidance on the strategic development of the business of the Group. Mr. Ma graduated from the University of Calgary, Canada in June 1985 with a Bachelor of Commerce degree. He is a member of the Institute of Chartered Accountants of Ontario in Canada. He was awarded the "Young Industrialist Awards of Hong Kong" by the Federation of Hong Kong Industries in 2008. Mr. Ma is the sole director of Sun Universal Limited, one of the controlling shareholders of the Company, which owns 245,300,400 shares of the Company. Accordingly, Mr. Ma Gary Ming Fai is deemed to be interested in all the shares held by Sun Universal Limited for the purpose of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit (陳永傑), aged 46, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Chan obtained a Bachelor of Commerce degree from Monash University in February 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia. Mr. Chan has over 15 years of experience in the furniture industry. He acted as executive director and the chief executive officer of Jia Meng Holdings Limited (家夢控股有限公司) (stock code: 8101), a company listed on GEM which is principally engaged in the design, manufacture and sale of mattresses and soft bed products, from September 2013 to January 2016, and has been responsible for the general management and operational decisions of the such company. Since March 2016, he has been an executive and the chief executive officer of Royale Furniture Holdings Limited (stock code: 1198), a company listed on the Main Board of the Stock Exchange in Hong Kong which is principally engaged in the design, manufacture and sales of various types of mid to high-end furniture, and has been responsible for assisting the chairman of that company in formulating the company's growth plan and the effective operation of its board of directors.

Ms. Cao Shao Mu (曹少慕), aged 56, was appointed as the independent non-executive Director of the Company on 17 December 2016. She was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Ms. Cao completed a selected on-job executive master of business administration course* (在職經理工商管理碩士(EMBA)精選課程研修班) in November 2004 at Yiyuan College, Sun Yat-Sen University. Ms. Cao worked in the sales department of Guangzhou Pepsi-Cola Beverage Co., Ltd from 2001 to 2014 and retired holding the position of senior district development manager.

Mr. Kwok Sui Hung (郭瑞雄), aged 57, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Kwok completed a certificate programme in marketing management from the Hong Kong Management Association in June 1994. Since 1996, Mr. Kwok has been the general manager of Sun Champion Trading Limited, responsible for monitoring the operation of Hong Kong and China divisions of that company.

* *For identification purpose only*

SENIOR MANAGEMENT

Mr. Chen Fei (陳飛), aged 40, is the vice general manager responsible for the sales function of the Group and the general manager of the Chengdu sales office. He joined the Group in June 1998 as a sales staff and was promoted in December 2011 as the sales director responsible for, inter alia, managing the sales operation of Sichuan Greenland. Since June 2013, Mr. Chen has been the vice general manager responsible for overseeing the sales department. From June 2013 to November 2014, he also acted as the general manager of Chongqing Branch Office. In December 2014, he was re-designated as the general manager of Sichuan Greenland. Mr. Chen received his college diploma* (專科) in international trade from Sichuan Radio and TV University (四川廣播電視大學) in July 1998 and later obtained a bachelor degree in business administration from China Central Radio and TV University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in January 2012.

Ms. He Lu Ming (何鹿鳴), aged 41, is the head of the administration department. Ms. He received her master degree from Communist Party of China of Sichuan Province College* (中共四川省委黨校) majoring in regional economics in June 2011. She joined the Group in May 2002 and acted as the administration manager responsible for human resources, administrative and back-office matters. Since October 2010, Ms. He has been in charge of the administration department and has been the chairman of the labour union since October 2015.

Ms. Leung Yuk Yi (梁玉宜), aged 47, is the Company secretary of the Group. She is responsible for overall company secretarial matters of the Group. She obtained her bachelor of business degree majoring in marketing in July 1993 and later a master of practising accounting degree in October 1998 from Monash University in Australia. Ms. Leung was admitted as a member of the Hong Kong Institute of Certified Public Accountants in May 2003. She was a senior manager at the tax department of Ernst & Young from November 1999 to November 2013.

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF ZHI SHENG GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhi Sheng Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 50 to 101, which comprise the consolidated statement of financial position as at 31 December 2017, and 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 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of trade receivables

Refer to Notes 5 (i) and 18 to the consolidated financial statements and the accounting policies in Note 4(f)(ii) to the consolidated financial statements.

As at 31 December 2017, the Group had trade receivables of RMB30,742,000. No provision on impairment loss has been made over these balances. The impairment assessment of the Group's trade receivables is a key audit matter due to the judgement involved.

How our audit addressed the Key Audit Matter

Our procedures in relation to the director's impairment assessment of trade receivables included:

- Enquiring with management of the Group whether there is any impairment indicator for debtors;
- Reviewing subsequent settlements of the trade receivables; and
- Reviewing the repayment history and credit worthiness of the Group's debtors.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate no. P05443

Hong Kong, 21 March 2018

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	7	**96,959**	99,563
Cost of sales		**(62,958)**	(72,051)
Gross profit		**34,001**	27,512
Other income	7	**392**	388
Selling and distribution expenses		**(5,428)**	(4,388)
Administrative and other expenses		**(13,813)**	(18,531)
Finance costs	9	**(1,035)**	(1,776)
Profit before income tax	8	**14,117**	3,205
Income tax expense	12	**(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)	14	**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	*15*	**52,400**	54,140
Payments for leasehold land held for own use under operating leases	*16*	**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	*16*	**230**	230
Inventories	*17*	**16,570**	18,273
Trade and other receivables	*18*	**56,469**	46,745
Cash and cash equivalents	*19*	**36,428**	27,632
Total current assets		**109,697**	92,880
Total assets		**182,492**	161,908
Current liabilities			
Trade and other payables	*20*	**20,985**	30,545
Bank borrowing	*21*	**–**	30,000
Amounts due to directors	*22*	**–**	644
Amounts due to shareholders	*23*	**–**	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
Non-current liabilities			
Deferred tax liabilities	*24*	**5,697**	5,936
Total non-current liabilities		**5,697**	5,936
Total liabilities		**29,840**	81,206
NET ASSETS		**152,652**	80,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*25*	**5,923**	–
Reserves	*26*	**146,729**	80,702
TOTAL EQUITY		**152,652**	80,702

On behalf of the directors

Ma Gary Ming Fai	**Yi Cong**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital* RMB'000	Share premium *(Note 26(a))* RMB'000	Other reserve *(Note 26(b))* RMB'000	Statutory reserve *(Note 26(c))* RMB'000	Foreign exchange reserve *(Note 26(d))* RMB'000	Retained earnings *(Note 26(e))* 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 25(d))*	69	69,440	–	–	–	–	69,509
Arising from the Reorganisation *(Note 25(a))*	(131)	(69,440)	69,571	–	–	–	–
Issue of shares upon the Reorganisation *(Note 25(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 25(e))*	**3,554**	**(3,554)**	**–**	**–**	**–**	**–**	**–**
Issue of shares upon the Placing *(Note 25(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 (as defined in Note 1).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Profit before income tax		**14,117**	3,205
Adjustments for:			
Amortisation of payments for leasehold land held for own use under operating leases	*8*	**341**	341
Depreciation of property, plant and equipment	*8*	**3,766**	3,071
(Gain)/loss on disposals of property, plant and equipment, net	*8*	**(45)**	4
Income from trade payable written off	*7*	**–**	(168)
Bank interest income	*7*	**(81)**	(38)
Interest income from other receivable	*7*	**(117)**	–
Finance costs	*9*	**1,035**	1,776
		19,016	8,191
Decrease in inventories		**1,703**	17,413
Increase in trade and other receivables		**(14,813)**	(7,004)
Decrease in trade and other payables		**(9,274)**	(12,086)
Cash (used in)/generated from operations		**(3,368)**	6,514
Income tax paid		**(1,861)**	(1,896)
Interest received		**198**	38
Interest paid		**(1,035)**	(1,776)
Net cash (used in)/generated from operating activities		**(6,066)**	2,880
Cash flows from investing activities			
Purchases of property, plant and equipment	*15*	**(2,048)**	(1,464)
Increase in prepayments for property, plant and equipment		**(5,848)**	–
Proceeds from disposals of property, plant and equipment		**67**	–
Net cash used in investing activities		**(7,829)**	(1,464)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Proceeds from issue of shares upon the Placing		**73,444**	–
Payment of new shares listing costs		**(5,416)**	–
Proceeds from bank borrowing		**–**	60,000
Repayment of bank borrowing		**(30,000)**	(60,000)
Proceeds from other borrowing		**6,249**	–
Repayment of other borrowing		**(6,249)**	–
Repayments to directors		**(644)**	(3,256)
(Repayments to)/advances from shareholders		**(13,845)**	17,559
Net cash from financing activities		**23,539**	14,303
Net increase in cash and cash equivalents		**9,644**	15,719
Cash and cash equivalents at beginning of year		**27,632**	19,981
Effect of foreign exchange rate changes on cash and cash equivalents		**(848)**	(8,068)
Cash and cash equivalents at end of year		**36,428**	27,632
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**36,428**	27,632

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

Zhi Sheng Group Holdings Limited (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 Company and its subsidiaries (collectively referred to as the "Group") are 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 of Hong Kong Limited (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 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.

The subsidiaries now comprising the Group were under the ultimate control of Mr. Ma Gary Ming Fai from 1 January 2016 to 18 January 2017. Upon completion of the Placing (as defined in Note 25) on 19 January 2017, the Company has no parent and ultimate parent.

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

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to consolidated statement of cash flows, Note 31.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the treatment as clarified is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

(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

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

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

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

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

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

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

HKFRS 9 — Financial Instruments (continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors anticipate that the application of HKFRS 9 in the future will have an impact on amounts reported in respect of the Group's financial performance and financial assets (e.g. impairment on trade receivables) resulting from early provision of credit losses using the expected loss impairment model under HKFRS 9 instead of incurred loss model under HKAS 39. Currently, the directors are in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

HKFRS 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

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

Amendments to HKFRS 15 — Revenue from Contracts with customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported on revenue as the transaction price of contracts may be affected by the new standard, and more disclosures relating to revenue is required. Currently, the directors are in the midst of assessing the financial impact of the application of HKFRS 15 and a reasonable estimate of the effect will be available once the detailed review is completed.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at FVTPL.

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

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

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitments of the Group in respect of office premises and a warehouse as at 31 December 2017 amounted to approximately RMB961,000 (Note 27). The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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

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

Except as described above, the directors anticipated that the application of other new and revised HKFRSs will have no material impact on the Group's future financial performance and position.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rule").

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis. The measurement bases are fully described in the Note 4 below.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). However, the financial statements are presented in Renminbi ("RMB") instead of its functional currency as RMB is the principal currency of the economic environment on which the Group operates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less impairment loss, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates used for calculating depreciation are as follows:

Motor vehicles	10%–20%
Plant and machinery	10%–20%
Furniture and equipment	10%–20%
Leasehold improvements	20% or the lease term, whichever is shorter
Buildings	3.3%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

(e) Leasing

The Group as lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost including bank borrowing, trade payables, other payables, amounts due to directors and amounts due to shareholders are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue and other income recognition

The Group is principally engaged in the manufacture and sale of office furniture products.

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of office furniture products is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon the completion of installation for office furniture products.

(ii) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income taxes (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of the Company and certain subsidiaries are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of the Company and certain subsidiaries are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits

(i) Defined contribution retirement plan

The employees of the Group which operate in the PRC are required to participate in a central defined contribution pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Other employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(m) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- payments for leasehold land held for own use under operating leases; and
- Other non-financial assets

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (other than financial assets) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

(p) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income in consolidated statement of financial position and consequently are effectively recognised in profit or loss over the useful life of the asset.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

In addition to information disclosed elsewhere in consolidated financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

(ii) Depreciation

The Group depreciated the property, plant and equipment on a straight-line basis with 5% residual value, over the estimated useful lives of five to thirty years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(iii) Inventory provision

The management of the Group reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

(iv) Income tax

The Group is subject to income taxes in various regions. As a result, certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

6. SEGMENT REPORTING

(a) Reportable segments

During the year, the information reported to the executive directors of the Company, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, 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 **RMB'000**	2016 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.

6. SEGMENT REPORTING (continued)

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

7. REVENUE AND OTHER INCOME

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:

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

8. PROFIT BEFORE INCOME TAX

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

	2017 RMB'000	2016 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. FINANCE COSTS

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

10. STAFF COSTS

	2017 RMB'000	2016 RMB'000
Staff costs (including directors' remuneration):		
— Salaries, allowances and benefits in kind	**7,188**	6,836
— Retirement benefit scheme contribution	**2,317**	2,555
	9,505	9,391

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration is disclosed as follows:

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2017						
Executive directors:						
Mr. Yi Cong		–	480	–	53	533
Mr. Liang Xing Jun		–	60	–	20	80
Non-executive directors:						
Mr. Ma Gary Ming Fai		–	–	–	–	–
Independent non-executive directors						
Mr. Chan Wing Kit	*(i)*	95	–	–	–	95
Ms. Cao Shao Mu	*(i)*	95	–	–	–	95
Mr. Kwok Sui Hung	*(i)*	95	–	–	–	95
		285	540	–	73	898

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' remuneration (continued)

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2016						
Executive directors:						
Mr. Yi Cong		–	480	–	51	531
Mr. Liang Xing Jun		–	60	–	21	81
Non-executive directors:						
Mr. Ma Gary Ming Fai		–	–	–	–	–
Independent non-executive directors:						
Mr. Chan Wing Kit	*(i)*	–	–	–	–	–
Ms. Cao Shao Mu	*(i)*	–	–	–	–	–
Mr. Kwok Sui Hung	*(i)*	–	–	–	–	–
		–	540	–	72	612

Notes:

(i) Appointed on 17 December 2016.

(ii) Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

The five highest paid individuals consist of 4 directors of the Company for the year ended 31 December 2017 (2016: 2 directors). Details of their remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 1 highest paid individual for the year ended 31 December 2017 (2016: 3 highest paid individuals) are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	61	214
Retirement benefits scheme contributions	22	85
	83	299

Their emoluments were within the following band:

	2017 Number of individual	2016 Number of individual
Nil to HK$1,000,000 (equivalent to approximately RMB836,000)	1	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2017 (2016: nil).

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

(c) Senior management

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000 (equivalent to approximately RMB836,000)	3	3

12. INCOME TAX EXPENSE

	2017 RMB'000	2016 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 *(Note 24)*	**(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.

12. INCOME TAX EXPENSE (continued)

The income tax expense for the years ended 31 December 2017 and 2016 can be reconciled to the accounting profit at applicable tax rate as follows:

	2017 RMB'000	2016 RMB'000
Profit before income tax	**14,117**	3,205
Tax calculated at tax rate of 25%	**3,529**	801
Tax effect of expenses not deductible for tax purposes	**1,285**	2,168
Tax effect of temporary differences not recognised	**(112)**	29
Tax effect of tax losses not recognised	**2**	22
Utilisation of tax losses previously not recognised	**–**	(74)
Over-provision in respect of prior years	**(160)**	–
Income tax expense	**4,544**	2,946

13. 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.

14. 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Buildings *(Note 21)* RMB'000	Total RMB'000
Cost						
At 1 January 2016	486	2,575	339	192	55,270	58,862
Additions	–	3	136	1,325	–	1,464
Disposals	–	–	(13)	–	–	(13)
At 31 December 2016 and 1 January 2017	486	2,578	462	1,517	55,270	60,313
Additions	426	1,552	70	–	–	2,048
Disposals	(115)	–	–	–	–	(115)
Written off	(49)	(2)	(7)	(102)	–	(160)
At 31 December 2017	748	4,128	525	1,415	55,270	62,086
Accumulated depreciation						
At 1 January 2016	(172)	(417)	(149)	(119)	(2,254)	(3,111)
Provided for the year	(66)	(413)	(66)	(251)	(2,275)	(3,071)
Disposals	–	–	9	–	–	9
At 31 December 2016 and 1 January 2017	(238)	(830)	(206)	(370)	(4,529)	(6,173)
Provided for the year	(98)	(418)	(71)	(914)	(2,265)	(3,766)
Disposals	100	–	–	–	–	100
Written off	47	2	7	97	–	153
At 31 December 2017	(189)	(1,246)	(270)	(1,187)	(6,794)	(9,686)
Net Book Value						
At 31 December 2017	559	2,882	255	228	48,476	52,400
At 31 December 2016	248	1,748	256	1,147	50,741	54,140

As at 31 December 2016, the buildings with the carrying amount of approximately RMB50,741,000 were pledged as securities for the Group's bank borrowing as set out in Note 21 below. During the year ended 31 December 2017, the aforesaid pledge was released as the Group's bank borrowing was repaid in full.

16. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	RMB'000
At 1 January 2016	15,459
Amortisation for the year	(341)
At 31 December 2016 and 1 January 2017	15,118
Amortisation for the year	(341)
At 31 December 2017	14,777

At 31 December 2016, the land use rights with carrying amounts of RMB15,118,000 were pledged as securities for the Group's bank borrowing as set out in Note 21 below. During the year ended 31 December 2017, the aforesaid pledge was released as the Group's bank borrowing was repaid in full.

17. INVENTORIES

	2017	2016
	RMB'000	RMB'000
Raw materials	**3,983**	3,975
Work in progress	**1,482**	1,009
Finished goods	**11,105**	13,289
	16,570	18,273

18. TRADE AND OTHER RECEIVABLES

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

18. TRADE AND OTHER RECEIVABLES (continued)

(a) 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 RMB'000	2016 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 RMB'000	2016 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.

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

(b) Other receivables

(i) 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.

(ii) As at 31 December 2017, among the other receivables, RMB2,000,000 was due from an independent third party. The balance is unsecured, interest bearing at 6.5% per annum and repayable in one year.

(c) Prepayments

(i) At 31 December 2017, among the prepayments, approximately RMB20,045,000 (2016: RMB18,685,000) represented prepayments to suppliers for purchase of raw materials.

(ii) At 31 December 2016, among the prepayments, approximately RMB7,628,000 represented prepayments for listing expenses.

19. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash and bank balance	**36,428**	27,632

	2017 RMB'000	2016 RMB'000
Denominated in HK$	**3,073**	2,081
Denominated in RMB	**33,355**	25,551
	36,428	27,632

Cash at banks earns interest at interest rates 0.35% during the year ended 31 December 2017 (2016: 0.35%). Cash and cash equivalents denominated in RMB which is not a freely convertible currency.

20. TRADE AND OTHER PAYABLES

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

(a) Trade payables

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

(b) Other payables and accruals

At 31 December 2017, among other payables and accruals, approximately RMB272,000 (2016: RMB6,328,000) represented accrued listing expenses.

21. BANK BORROWING

	2017 **RMB'000**	2016 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 *(Note 15)* and RMB15,118,000 *(Note 16)* 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.

22. AMOUNTS DUE TO DIRECTORS

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

23. AMOUNTS DUE TO SHAREHOLDERS

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

As at 31 December 2016, the amount, 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.

24. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current and prior years:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000
At 1 January 2016	6,175
Credit to profit and loss for the year *(Note 12)*	(239)
At 31 December 2016 and 1 January 2017	5,936
Credit to profit and loss for the year *(Note 12)*	(239)
At 31 December 2017	5,697

25. 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.

25. SHARE CAPITAL — GROUP AND COMPANY (continued)

Notes: (continued)

(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 shares 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.

26. 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.

Movements on the Company's reserves during the years ended 31 December 2017 and 2016 are as follows:

	Share Premium RMB'000	Foreign exchange reserves RMB'000	Total RMB'000
Upon incorporation	–	–	–
Issue of shares upon the Reorganisation *(Note 25(c))*	80,702	–	80,702
At 31 December 2016 and 1 January 2017	80,702	–	80,702
Other comprehensive expense:			
Exchange difference arising on translating of foreign operations	–	(3,440)	(3,440)
Total comprehensive loss for the year	–	(3,440)	(3,440)
Capitalisation issue *(Note 25(e))*	(3,554)	–	(3,554)
Issue of shares upon the placing *(Note 25(f))*	71,075	–	71,075
Transaction costs attributable to the issue of shares	(10,234)	–	(10,234)
At 31 December 2017	137,989	(3,440)	134,549

26. RESERVES (continued)

The nature and purposes of reserves within equity are as follows:

(a) Share premium

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(b) Other reserve

The other reserve of the Group represents the difference between the total equity of the subsidiaries and the aggregated share capital of the subsidiaries pursuant to the Reorganisation where the transfer of the subsidiaries to the Company were satisfied by issue of new shares from the Company.

(c) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, the subsidiaries are required to appropriate 10% of their annual net profits of the PRC subsidiary, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the subsidiary, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

(d) Foreign exchange reserve

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(e) Retained earnings

Cumulative net gains and losses recognised in profit or loss.

27. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain office premises and warehouse under operating lease arrangements with lease terms of one to two years (2016: one to five years). At the end of the reporting period, the Group has future minimum rental payable under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**673**	1,268
Within two to five years	**288**	269
	961	1,537

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2017	2016
	Notes	**RMB'000**	RMB'000
ASSET			
Non-current asset			
Investment in a subsidiary		**140,472**	80,702
TOTAL ASSET AND NET ASSET		**140,472**	80,702
EQUITY			
Equity attributable to owners of the Company			
Share capital	*25*	**5,923**	–
Reserves	*26*	**134,549**	80,702
TOTAL EQUITY		**140,472**	80,702

29. INTERESTS IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

The particulars of the Company's subsidiaries as at 31 December 2017 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Smart Raise BVI	The British Virgin Islands, Limited liability company	100	–	20,000 ordinary shares of US$1 each	Investment holding, Hong Kong
Smart Raise (Hong Kong) Limited	Hong Kong, Limited liability company	–	100	HK$20,000 divided into 20,000 ordinary shares	Investment holding, Hong Kong
Sichuan Greenland	The PRC, Limited liability company	–	100	RMB61,000,000	Manufacture and sale of office furniture products, the PRC
成都頤事順達貿易有限公司	The PRC, Limited liability company	–	100	RMB1,000,000	Trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels, the PRC

30. RELATED PARTY TRANSACTION

Save as disclosed in Notes 22 and 23, the Group has the following significant related party transaction.

Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in Note 11, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	**285**	–
Salaries, allowance and benefits in kind	**901**	720
Pension scheme contributions	**114**	134
	1,300	854

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities is as follows:

	2017 RMB'000	2016 RMB'000
Bank and other borrowings:		
At 1 January	**30,000**	30,000
Financing cash flows	**(30,000)**	–
Non-cash changes	**–**	–
At 31 December	**–**	30,000

32. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors of the Company. The Group does not have written risk management policies. However, the directors of the Company meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

(a) Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statement of financial position at the reporting date may also be categorised as follows:

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables:		
Deposits for acquisition of property, plant and equipment	**72,795**	–
Trade and other receivables	**35,649**	19,638
Cash and cash equivalents	**36,428**	27,632
	144,872	47,270
Financial liabilities		
Financial liabilities at amortised costs:		
Trade and other payables	**15,313**	22,258
Bank borrowings	**–**	30,000
Amounts due to directors	**–**	644
Amounts due to shareholders	**–**	13,845
	15,313	66,747

(b) Fair value

The fair values of the Group's financial assets and liabilities as at 31 December 2017 and 2016 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

32. FINANCIAL RISK MANAGEMENT (continued)

(c) Currency risk

As the Group's revenue and expenses are mainly in RMB and most of the Group's assets and liabilities are denominated in RMB, which is the functional currency of the Company's primary subsidiaries, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(d) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank deposits and interest-bearing bank borrowing. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates of cash and cash equivalents are disclosed in Note 19 above. The interest bearing bank borrowing was bearing floating interest rates and are denominated in RMB. The interest rates and terms of repayment of bank borrowing of the Group was disclosed in Note 21 above. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's profit for the year and retained earnings due to a possible change in interest rates on its floating rate bank deposits and borrowing with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2017 **RMB'000**	2016 RMB'000
Increase/(decrease) in profit for the year and retained earnings		
Increase and decrease in basis points ("bp")		
+100 bp	**276**	(17)
- 100 bp	**(276)**	17

The above sensitivity analysis is prepared based on the assumption that the bank deposits and borrowings as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

32. FINANCIAL RISK MANAGEMENT (continued)

(e) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit are granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade receivables are set out in Note 18.

Cash at banks are deposits in bank with sound credit rating. Given their high credit rating, the Group does not expect to have high credit risk in this aspect.

(f) Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its 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.

The following table details the Group's remaining contractual maturities for its financial liabilities as at 31 December 2017 and 2016. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

32. FINANCIAL RISK MANAGEMENT (continued)

(f) Liquidity risk (continued)

At 31 December 2017

	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and other payables	**15,313**	**–**	**–**	**15,313**	**15,313**
	15,313	**–**	**–**	**15,313**	**15,313**

At 31 December 2016

	Within 1 year or on demand RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade and other payables	22,258	–	–	22,258	22,258
Bank borrowing	30,990	–	–	30,990	30,000
Amounts due to directors	644	–	–	644	644
Amounts due to shareholders	13,845	–	–	13,845	13,845
	67,737	–	–	67,737	66,747

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of debt, which include bank borrowing disclosed in Note 21 and equity attributable to owners of the Company, comprising share capital and reserves.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratio at the end of the reporting period was as follows:

	2017 **RMB'000**	2016 RMB'000
Bank borrowing	**–**	30,000
Less: Cash and cash equivalents	**(36,428)**	(27,632)
Net (cash)/debt	**(36,428)**	2,368
Equity attributable to owners of the Company	**152,652**	80,702
Net debt to equity ratio	**0%**	3%

In the opinion of the directors of the Company, the Group's net debt to equity ratio is maintained at an optimal level having considered the projected capital expenditures and the projected strategic investment opportunities.

34. LITIGATION

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 products 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"). On 4 July 2017, Sichuan Provincial High Court overruled the Group's application for retrial. The Group decided not to contest the ruling from the Sichuan Provincial High Court. On 22 August 2017, the Group and the plaintiff signed a consent letter and decided to settle the dispute out-of-court. The Group has paid RMB206,000 to the plaintiff for settlement of dispute during the year ended 31 December 2017.

The Group had no significant contingent liabilities as at the date of this report.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the board of directors on 21 March 2018.

FINANCIAL SUMMARY

	For the year ended 31 December			
	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	N/A	86,862	99,563	**96,959**
Profit for the year attributable to the owners of the Group	N/A	4,267	259	**9,573**
Total comprehensive income/(loss) for the year attributable to the owners of the Group	N/A	4,155	(7,809)	**8,740**

ASSETS AND LIABILITIES	As at 31 December			
	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	197,828	167,671	161,908	**182,492**
Total liabilities	(182,981)	(148,669)	(81,206)	**(29,840)**
	14,847	19,002	80,702	**152,652**

The summary above does not form part of the audited consolidated financial statements.

No financial statements of the Group for the years ended 31 December 2012 and 2013 have been published.

The financial information for the years ended 31 December 2014 and 2015 were extracted from the Prospectus of the Group dated 30 December 2016. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 1 to the consolidated financial statements.