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

2018

FIRST QUARTERLY REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This 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.

FINANCIAL RESULTS

SUMMARY

— The Group recorded revenue of approximately RMB24.2 million for the three months ended 31 March 2018, representing a decrease of approximately 13.1% as compared with the three months ended 31 March 2017.

— The Group recorded a profit of approximately RMB4.3 million for the three months ended 31 March 2018 as compared with a profit of approximately RMB0.6 million for the three months ended 31 March 2017. The increase in profit was mainly attributable to the increase in the gross profit margin for the three months ended 31 March 2018 as compared with the corresponding period in 2017, and the decrease of approximately RMB2.3 million in listing expenses as compared with the corresponding period in 2017.

— The basic earnings per share for the three months ended 31 March 2018 was approximately RMB0.65 cent, while the basic earnings per share for the three months ended 31 March 2017 was approximately RMB0.10 cent.

FINANCIAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to present the unaudited consolidated results of the Group for the three months ended 31 March 2018, together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Notes	**For the three months ended 31 March** **2018** **RMB'000** **(Unaudited)**	2017 RMB'000 (Unaudited)
Revenue	*3*	**24,163**	27,806
Cost of sales		**(14,795)**	(20,065)
Gross profit		**9,368**	7,741
Other income		**61**	39
Selling and distribution expenses		**(1,177)**	(1,088)
Administrative and other expenses		**(2,362)**	(4,630)
Finance costs		**(0)**	(476)
Profit before income tax		**5,890**	1,586
Income tax expense	*4*	**(1,565)**	(953)
Profit/(loss) for the period attributable to the owners of the Company		**4,325**	633
Other comprehensive income/(loss) for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(189)**	423
Total comprehensive income/(loss) for the period attributable to the owners of the Company		**4,136**	1,056
Earnings/(loss) per share — Basic and diluted (RMB cents)	*6*	**0.65**	0.10

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Share capital *(Note a)* RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Foreign Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2017 (Audited)	–	80,702	(11,131)	1,872	(8,180)	17,439	80,702
Profit for the period	–	–	–	–	–	633	633
Other comprehensive income:							
Exchange difference arising on translating of foreign operations	–	–	–	–	423	–	423
Total comprehensive income for the period	–	–	–	–	423	633	1,056
Issue of shares (Note b)	2,369	71,075	–	–	–	–	73,444
Capitalisation (Note c)	3,554	(3,554)	–	–	–	–	–
Transaction costs attributable to the issue of shares	–	(10,234)	–	–	–	–	(10,234)
Transfer to statutory reserve	–	–	–	339	–	(339)	–
As at 31 March 2017 (Unaudited)	5,923	137,989	(11,131)	2,211	(7,757)	17,733	144,968
As at 1 January 2018 (Audited)	5,923	137,989	(11,131)	3,343	(9,013)	25,541	152,652
Profit for the period	–	–	–	–	–	4,325	4,325
Other comprehensive income:							
Exchange difference arising on translating of foreign operations	–	–	–	–	(189)	–	(189)
Total comprehensive income for the period	–	–	–	–	(189)	4,325	4,136
Issue of shares	–	–	–	–	–	–	–
Capitalisation issue	–	–	–	–	–	–	–
Transaction costs attributable to the issue of shares	–	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	487	–	(487)	–
As at 31 March 2018 (Unaudited)	5,923	137,989	(11,131)	3,830	(9,202)	29,379	156,788

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2018

Notes:

a. The share capital of the Company as at 1 January 2017 represented the aggregate amount of the share capital of the subsidiaries and was transferred to other reserve upon the reorganisation of the Group in connection with the listing of shares of the Company on GEM (the "**Reorganisation**").

b. On 19 January 2017, the Company placed 268,000,000 new 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 Group in relation to the Placing) would be used to finance the implementation plan as set forth in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 30 December 2016 (the "**Prospectus**"). The proceeds of HK$2,680,000 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK$80,400,000 before issuing expenses, were credited to share premium account of the Company.

c. 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 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 (the "**Capitalisation Issue**").

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2018

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 4 March 2016. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is at Unit A, 17/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong and its headquarters is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the People's Republic of China (the "**PRC**").

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

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

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2017 and 2018 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and disclosure requirements of the GEM.

Other than the adoption of the new and revised HKFRSs during the accounting period from 1 January 2018, the basis of preparation and accounting policies adopted in the preparation of such unaudited condensed consolidated financial statements are the same as those followed in the preparation of the annual financial statements for the year ended 31 December 2017.

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

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

3. REVENUE

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

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue of sales	**24,163**	27,806

4. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
— Tax for the period	**1,624**	1,012
Deferred tax		
— Current period from January to March	**(59)**	(59)
	1,565	953

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

No Hong Kong profit tax was provided in the consolidated financial statements as the Group has no estimated assessable profit derived from and earned in Hong Kong during the three months ended 31 March 2018 and 2017.

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

5. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 (2017: Nil).

6. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share attributable to the owners of the Company are calculated by the weighted average number of 670,000,000 shares and 670,000,000 ordinary shares in issue for the three months ended 31 March 2018 and 2017.

	For the three months ended 31 March	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit:		
The profit/(loss) used to calculate the basic earnings/(loss) per share for three months	**4,325**	633
	'000 shares	'000 shares
Number of shares: Number of shares used to calculate the basic earnings/(loss) per share	**670,000**	670,000

Note: The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the three months ended 31 March 2018 of approximately RMB4.325 million (for the three months ended 31 March 2017: approximately RMB0.63 million), and on the basis of 670,000,000 shares of the Company in issue for the three months ended 31 March 2018 (31 March 2017: 670,000,000 shares in issue). The calculation also assumes as if the number of shares of the Company issued and outstanding immediately after the Reorganisation and the Capitalisation Issue had been issued and outstanding as of 1 January 2017. There were no potential ordinary shares in issue for the three months ended 31 March 2018 and 2017. Accordingly, the diluted earnings per share presented are the same as basic earnings per share. Meanwhile, because the Company has placed and issued 268,000,000 shares on 19 January 2017, the earnings per share are calculated by the weighted average number of 670,000,000 shares of the Company in issue.

No diluted earnings per share for the current and prior period was presented as there were no dilutive potential ordinary shares in issue.

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, Chongqing, Guangxi, Jiangsu and Guangdong. The Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited ("**Sichuan Greenland**"), in Chengdu city and a branch office, Chongqing Branch Office ("**Chongqing Branch Office**") of Sichuan Greenland, in Chongqing city.

During the first three months of 2018, 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 and other areas has decreased significantly as compared to the previous years. The Group faced greater challenge in its development.

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 Guangxi, Jiangsu, Beijing and Guangdong. 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.

For the three months ended 31 March 2018, the Group recorded a revenue of approximately RMB24.2 million, representing a decrease of approximately 13.1% as compared with the corresponding period in 2017. Although the overall sales of the Group decreased to a certain extent for the three months ended 31 March 2018 compared with the same period in 2017, 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.

The Group recorded a profit of approximately RMB4.3 million for the three months ended 31 March 2018 as compared with a profit of approximately RMB0.6 million for the three months ended 31 March 2017. The increase in profit was mainly attributable to the increase in the gross profit margin for the three months ended 31 March 2018 as compared with the corresponding period in 2017, and the decrease of approximately RMB2.3 million in the listing expenses as compared with the corresponding period in 2017.

The Company successfully listed on GEM on 20 January 2017 (the "Listing Date"). The net proceeds received from the Placing have strengthened the Group's cash flow.

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 provinces and municipalities such as Guangxi, Jiangsu, Beijing, Guangdong and northwestern regions, 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 made by the Group will become more competitive.

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

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2018, the Group achieved a revenue of approximately RMB24.2 million, representing a decrease of approximately 13.1% as compared to the three months ended 31 March 2017. In particular, the revenue of Sichuan Greenland was approximately RMB22.5 million, representing a decrease of approximately 13.2% as compared to the three months ended 31 March 2017.

Revenue attributable to our historically strong sales provinces and autonomous regions such as Sichuan, Yunnan, Guizhou, Chongqing, Tibet Autonomous Region, was approximately RMB7.3 million for the three months ended 31 March 2018, which decreased by approximately RMB6.8 million or 48.4% as compared with the three months ended 31 March 2017.

That was mainly due to (i) the significant drop in revenue from financial institutions in the above regions with revenue dropping from approximately RMB1.5 million for the three months ended 31 March 2017 to approximately RMB0.4 million for the three months ended 31 March 2018; and (ii) nineteen tenders or direct sales customers with incomes of more than RMB150,000 in the above three provinces for the three months ended 31 March 2017 have recorded a revenue of approximately RMB10.0 million, while there were only seven tenders or direct sales customers with incomes of more than RMB150,000 have recorded a revenue of approximately RMB5.1 million for the three months ended 31 March 2018. Despite the positive effect of our sales strategy in Sichuan and Chongqing, the business volume of new customers is relatively small, therefore, the recorded revenue was unable to offset the decrease in revenue from the above provinces.

The year-on-year revenues generated in Guangdong and Jiangsu decreased significantly, mainly due to the non-continuous (or one-time) nature of sales orders of the bidding customers, and the revenue generated by the new customers being unable to offset the reduced revenue from the original customers. For the three months ended 31 March 2018, revenue from Guangdong was approximately RMB1.6 million, which decreased by RMB4.4 million, or 73.3% as compared with the three months ended 31 March 2017, which was mainly attributable to the fact that one large tender and direct sales customer in the same period in 2017 contributed approximately RMB4.3 million to revenues, while no revenue was contributed for the three months ended 31 March 2018. For the three months ended 31 March 2018, revenue from Jiangsu was approximately RMB1.8 million, which decreased by RMB4.0 million, or 69.0% as compared with the three months ended 31 March 2017, which was mainly attributable to the fact that one large tender and direct sales customer in the same period in 2017 contributed approximately RMB4.6 million to our revenue, while only contributing approximately RMB0.6 million for the three months ended 31 March 2018.

Revenue from Guangxi was nil for the three months ended 31 March 2017. But as our sales strategy in Guangxi achieved positive results, revenue from Guangxi for the three months ended 31 March 2018 increased to approximately RMB10.8 million, which was mainly attributable to the addition of two customers in Fangchenggang. The increase in sales in Guangxi effectively compensated for the decrease in revenue from the other provinces and districts. Sales in Beijing and Henan have also achieved progress. For the three months ended 31 March 2018, Beijing and Henan contributed to revenues of approximately RMB0.4 million and RMB0.3 million respectively. However, except for Qinghai which contributed to revenues of RMB0.1 million for the three months ended 31 March 2018, provinces and districts in the northwest region are still in the promotion stage, and no substantive progress has been achieved for the time being.

The revenue from Chongqing Branch Office was approximately RMB1.7 million for the three months ended 31 March 2018, representing a decrease of approximately 11.6% as compared to the three months ended 31 March 2017. Such decrease was primarily due to a large direct sales customer contributing to revenues of approximately RMB0.6 million in the three months ended 31 March 2017 while no revenue was contributed for the three months ended 31 March 2018.

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 three months ended 31 March 2018, the Group's cost of sales amounted to approximately RMB14.8 million, representing a decrease of approximately 26.3% from approximately RMB20.1 million for the three months ended 31 March 2017. Such decrease was mainly due to (i) the Group's sales decreasing by approximately RMB3.7 million; (ii) a decrease in the cost of raw materials used and cost of goods purchased of approximately RMB4.9 million; (iii) a decrease in salary of production staff of approximately RMB0.2 million; and (iv) a decrease in other production expenses of approximately RMB0.2 million.

Gross profit increased from approximately RMB7.7 million for the three months ended 31 March 2017 to approximately RMB9.4 million for the three months ended 31 March 2018. The gross profit margin increased from approximately 27.8% for the three months ended 31 March 2017 to approximately 38.8% for the three months ended 31 March 2018. Such increases were mainly attributable to the cost of sales for the three months ended 31 March 2018 decreased by approximately RMB5.3 million as compared to the same period in 2017.

OTHER INCOME

For the three months ended 31 March 2018, the Group's other income amounted to approximately RMB61,000, representing an increase of approximately 56.4% from approximately RMB39,000 for the three months ended 31 March 2017. Such increase was mainly attributable to the increase in bank deposits for the three months ended 31 March 2018 as compared to the corresponding period in 2017.

ADMINISTRATIVE AND OTHER EXPENSES

For the three months ended 31 March 2018, the Group's administrative and other expenses amounted to approximately RMB2.4 million, representing a decrease of approximately 49.0% from approximately RMB4.6 million for the three months ended 31 March 2017. Such decrease was mainly attributable to the fact that listing expenses of approximately RMB2.3 million for the three months ended 31 March 2017 were incurred while there was no listing expense during the three months ended 31 March 2018.

SELLING AND DISTRIBUTION EXPENSES

For the three months ended 31 March 2018, the Group's selling and distribution expenses amounted to approximately RMB1.2 million, representing an increase of approximately 8.2% from RMB1.1 million for the three months ended 31 March 2017. Such increase was mainly attributable to the increase in transportation cost due to expansion of sales channels.

INCOME TAX EXPENSE

For the three months ended 31 March 2018, the Group's income tax expense amounted to approximately RMB1.6 million, representing an increase of approximately 64.2% from approximately RMB1.0 million for the three months ended 31 March 2017. Such increase was mainly attributable to an increase in taxable profit of the Group generated in the relevant period.

PLEDGE OF ASSETS

As of 31 March 2018, the Group had no assets pledged.

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 March 2018, 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 Rule 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by directors were as follows:

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held/interested	Percentage of shareholdings
Mr. Ma Gary Ming Fai	Interest in controlled corporation *(Note 1)*	245,300,400 (Long position)	36.62%
Mr. Yi Cong	Interest of 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 of the date of this report, none of the Directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of 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 under 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 Rule 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 of the Company

As at 31 March 2018, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares held/interested	Percentage of shareholding
Sun Universal Limited	Beneficial owner	245,300,400 (Long position)	36.62%
Ms. Hung Fung King Margaret	Interest of spouse *(Note 3)*	245,300,400 (Long position)	36.62%
Brilliant Talent Global Limited	Beneficial owner *(Note 4)*	116,580,000 (Long position)	17.40%
Ms. Zhang Gui Hong	Interest in controlled corporation *(Note 4)*	116,580,000 (Long position)	17.40%

Notes:

3. 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.

4. The entire issued share capital of Brilliant Talent Global Limited is legally and beneficially 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 March 2018, the Directors had not been notified by any person who had interests or short positions in the shares, 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. No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 March 2018.

OTHER INFORMATION

DEED OF NON-COMPETITION

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

POTENTIAL COMPETING INTERESTS

As at 31 March 2018, 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. Although the Group's focus is on manufacturing and sales of 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" of 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.

Mr. Ma and Sun Universal have all confirmed to the Group of his/its compliance with the Deed of Non-Competition from the Listing Date 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.

OTHER INFORMATION

INTERESTS OF THE COMPLIANCE ADVISER

Due to the resignation of Convoy Capital Hong Kong Limited, the previous compliance adviser of the Company, on March 5, 2018, the Company appointed Octal Capital Limited as the new compliance adviser of the Company. As notified by Octal Capital Limited or Convoy Capital Hong Kong Limited, neither they nor any of their respective 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 Company which is required to be notified to the Group 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 ,and the compliance adviser agreement entered into between the Company and Octal Capital Limited on 5 March 2018 (collectively, the "**Compliance Adviser Agreements**")) as at 31 March 2018.

Pursuant to the Compliance Adviser Agreements, Convoy Capital Hong Kong Limited has received fees and Octal Capital Limited will receive fees for acting as the Company's compliance adviser.

AUDIT COMMITTEE

The Company established the Audit Committee (the "**Audit Committee**") on 19 December 2016 with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company.

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

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the three months ended 31 March 2018. The Audit Committee is of the view that the unaudited consolidated results are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that the sufficient disclosure was made.

OTHER INFORMATION

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.68 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the three months ended 31 March 2018 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to the date of this report, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

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

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

Hong Kong, 11 May 2018

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