ZHI SHENG GROUP HOLDINGS LIMITED
智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8370)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

FINANCIAL RESULTS

SUMMARY

— The Group recorded revenue of approximately RMB44.0 million for the six months ended 30 June 2018, representing a decrease of approximately 7.8% as compared with the six months ended 30 June 2017.

— The Group recorded a profit of approximately RMB6.4 million for the six months ended 30 June 2018, and a profit of approximately RMB0.6 million for the six months ended 30 June 2017. The increase in profit was mainly attributable to an increased gross profit margin for the six months ended 30 June 2018 as compared with the corresponding period in 2017, and a decrease of approximately RMB2.6 million in the listing expenses for the six months ended 30 June 2018 as compared with the corresponding period in 2017.

— The basic earnings per share for the six months ended 30 June 2018 was approximately RMB0.96 cent, while the basic earnings per share for the six months ended 30 June 2017 was approximately RMB0.10 cent.

FINANCIAL RESULTS

The board of Directors of the Company (the "**Board**") is pleased to present the unaudited condensed consolidated results of the Group for the three months and the six months ended 30 June 2018, together with the comparative figures for the three months and the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2018

		For the three months ended 30 June		For the six months ended 30 June	
	Notes	**2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)	**2018 RMB'000 (Unaudited)**	2017 RMB'000 (Unaudited)
Revenue	5	**19,879**	19,939	**44,042**	47,745
Cost of sales		**(12,686)**	(13,711)	**(27,481)**	(33,776)
Gross Profit		**7,193**	6,228	**16,561**	13,969
Other income		**86**	13	**147**	52
Selling and distribution expenses		**(1,023)**	(1,513)	**(2,200)**	(2,601)
Administrative and other expenses		**(3,296)**	(3,778)	**(5,658)**	(8,408)
Finance costs		**–**	(400)	**–**	(876)
Profit before income tax		**2,960**	550	**8,850**	2,136
Income tax expense	6	**(865)**	(572)	**(2,430)**	(1,525)
Profit/(loss) for the period attributable to the owners of the Company		**2,095**	(22)	**6,420**	611
Other comprehensive income/(loss) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**16**	(923)	**(173)**	(500)
Total comprehensive income/(loss) for the period attributable to the owners of the Company		**2,111**	(945)	**6,247**	111
Earnings/(loss) per share	8				
— Basic and diluted (RMB cents)		**0.31**	(0.003)	**0.96**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**57,302**	52,400
Payments for leasehold land held for own use under operating leases		**14,377**	14,547
Deposits for acquisition of property, plant and equipment		**–**	5,848
Total non-current assets		**71,679**	72,795
Current assets			
Payments for leasehold land held for own use under operating leases		**230**	230
Inventories		**19,142**	16,570
Trade and other receivables	*9*	**79,457**	56,469
Cash and cash equivalents		**13,758**	36,428
Total current assets		**112,587**	109,697
Total assets		**184,266**	182,492
Current liabilities			
Trade and other payables	*10*	**17,499**	20,985
Tax payable		**2,451**	3,158
Total current liabilities		**19,950**	24,143
Net current assets		**92,946**	85,554
Total assets less current liabilities		**164,625**	158,349
Non-current liabilities			
Deferred tax liabilities		**5,579**	5,697
Total non-current liabilities		**5,579**	5,697
Total liabilities		**25,529**	29,840
NET ASSETS		**158,737**	152,652

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company		**–**	–
Share capital		**5,923**	5,923
Reserves		**152,814**	146,729
TOTAL EQUITY		**158,737**	152,652

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The Company was incorporated in Cayman Islands with limited liability on 4 March 2016. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is at 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 Peoples' Republic of China (the "PRC").

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of GEM Listing Rules. These condensed consolidated interim financial statements were authorised for issue on 10 August 2018.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements.

2. BASIS OF PREPARATION (CONTINUED)

These condensed consolidated interim financial statements are presented in RMB, unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2017 consolidated financial statements.

The application of the new and revised HKFRSs, except HKFRS 9 and HKFRS 15, 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. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments

- HKFRS 15, Revenue from Contracts with Customers

- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations

- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions

- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle, Investments in Associates and Joint Ventures

- Amendments to HKAS 40, Transfers of Investment Property

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

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained earnings	
Retained earnings as at 31 December 2017	25,541
Increase in expected credit losses ("ECLs") in trade and other receivables (note 3A(ii) below)	(162)
Restated retained earnings as at 1 January 2018	25,379

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) (Continued)

(i) Classification and measurement of financial instruments (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB'000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB'000
Trade receivables	Loans and receivables (note 3A(ii)(a))	Amortised cost	30,742	30,625
Other receivables, deposits and prepayments	Loans and receivables (note 3A(ii)(b))	Amortised cost	25,727	25,682
Cash and cash equivalents	Loans and receivables	Amortised cost	36,428	36,428

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

	Within the credit period	Less than 1 month past due	1 to 3 months past due	More than 3 months but less than 6 months past due	More than 6 months past due	Total
Expected credit loss rate (%)	0.0%	0.1%	0.5%	2.0%	5.0%	0.4%
Gross carrying amount (RMB'000)	21,492	3,809	731	4,210	500	30,742
Loss allowance (RMB'000)	0	4	4	84	25	117

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were RMB117,000. The loss allowances further increased for RMB139,000 for trade receivables during the six months ended 30 June 2018.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group includes other receivables. Applying the ECL model result in the recognition of ECL of RMB45,000 on 1 January 2018 and a further ECL of RMB8,000 for the six months ended 30 June 2018.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

B. HKFRS 15 Revenue from Contracts with Customers

The impact on the consolidated condensed statement of profit or loss and OCI (increase/(decrease)) for the six months ended 30 June 2018:

	RMB'000
Revenue (note 3B(a))	(77)
Cost of sales (note 3B(a))	–
Other income	77
Profit before tax	–
Income tax expense	–
Profit from continuing operations	–
Profit for the period	–
Total comprehensive income for the period	–

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	**Product/service**	**Nature of the goods or services, satisfaction of performance obligations and payment terms**	**Nature of change in accounting policy and impact on 1 January 2018**
(a)	Sales of office furniture products	Customers obtain control of the office furniture products when the goods are delivered and have been accepted. Revenue is thus recognised upon when the customers accepted the office furniture products. There is generally only one performance obligation.	No impact

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3.

5. REVENUE

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

	For the three months ended 30 June		**For the six months ended 30 June**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited) (Note)	**(Unaudited)**	(Unaudited) (Note)
Revenue of sales	**19,879**	19,939	**44,042**	47,745

Note: The Group has initially applied HKFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

6. INCOME TAX EXPENSE

	For the three months ended 30 June		**For the six months ended 30 June**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
— Tax for the period	**925**	632	**2,549**	1,644
Deferred tax				
— Current period	**(60)**	(60)	**(119)**	(119)
	865	572	**2,430**	1,525

6. INCOME TAX EXPENSE (Continued)

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax 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 six months ended 30 June 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.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil). No shareholder has agreed to waive dividends.

8. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of 670,000,000 shares and 670,000,000 shares of the Company in issue for the three months and the six months ended 30 June 2018 and 2017.

	For the three months ended 30 June		**For the six months ended 30 June**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings/(loss):				
The earnings/(loss) used to calculate the basic earnings/(loss) per share for six months	**2,095**	(22)	**6,420**	611
	'000 shares	'000 shares	**'000 shares**	'000 shares
Number of shares used to calculate the basic earnings/(loss) per share	**670,000**	670,000	**670,000**	670,000

8. EARNINGS/(LOSS) PER SHARE (Continued)

Note: The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the six months ended 30 June 2018 of approximately RMB6.4 million (for the six months ended 30 June 2017: approximately RMB0.6 million), and on the weighted average number of 670,000,000 shares of the Company in issue as of 30 June 2018 (30 June 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 six months ended 30 June 2018 and 2017. Accordingly, the diluted earnings per share presented are the same as basic earnings per share. Meanwhile, because the Group 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 were presented as there were no dilutive potential ordinary shares in issue.

9. TRADE AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**32,905**	30,742
Other receivables	**17,693**	3,410
Deposits	**1,622**	1,497
Prepayments	**27,237**	20,820
	79,457	56,469

At 30 June 2018, among the other receivables, RMB933,000 (2017: RMB933,000) was due from Mr. Luo Jin Yao ("**Mr. Luo**"), the then owner of Sichuan Greenland Furniture Co., Limited ("**Sichuan Greenland**"), an indirect wholly-owned subsidiary of the Company. The balance is interest-free, unsecured and repayable on demand.

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

9. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	**15,918**	16,390
More than 3 months	**16,987**	14,352
	32,905	30,742

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within the credit period	**20,305**	21,492
Less than 1 month past due	**4,009**	3,809
1 to 3 months past due	**1,152**	731
More than 3 months but less than 6 months past due	**4,513**	4,210
More than 6 months past due	**2,926**	500
	32,905	30,742

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.

10. TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	**6,785**	6,548
Other payables and accrued	**4,926**	3,442
Other tax payables	**3,997**	5,323
Receipt in advance	**1,791**	5,672
	17,499	20,985

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:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 3 months	**1,919**	1,673
More than 3 months	**4,866**	4,875
	6,785	6,548

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the first half of 2018, despite sustained development in the domestic PRC economy and an increase in GDP by 6.8% year-on-year, with the intensification and escalation of the Sino-US trade war, the domestic PRC economy faced certain pressures and uncertainties. Exporters of office furniture are bound to pay more attention to the domestic PRC market, thus intensifying competition in the office furniture industry. In recent years, the national PRC government department has stipulated "No new construction of office buildings within the next 5 years, downsizing in office space, and new office furniture allocation standards to extend office furniture useful life", resulting in the reduction of government procurement of office furniture. In the southwestern region where the Group has traditional sales advantages, the demand for office furniture at financial institution outlets has decreased significantly as compared with previous years. The above factors have presented greater challenge to the Group's development.

The Group will secure its market share in the southwestern region through Sichuan Greenland, and strengthen the development in the provinces and municipalities such as Guangxi, Jiangsu, Beijing and Guangdong and northwestern regions of the PRC, with a view to extend its geographical coverage and reach new customers in such areas. Despite the challenges in the future, the Group believes implementation of the above sales strategies will result in such areas becoming new sales growth drivers, which will provide strong support for the Group's revenue growth in the coming years.

Except as disclosed herein, there has not been any important event affecting the Group since the end of the accounting period covered by this announcement.

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 implementation of the business objectives of the Group and bring benefits from it.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group generated revenue of approximately RMB44.0 million, representing a decrease of approximately 7.8% as compared with the six months ended 30 June 2017.

The revenue of Sichuan Greenland was approximately RMB40.3 million for the six months ended 30 June 2018, representing a decrease of approximately 8.2% as compared with the six months ended 30 June 2017. Such decrease is mainly due to:

(i) A decrease by approximately RMB6.4 million or 20.6% of the revenue derived from the traditional sales provinces and regions of Sichuan, Yunnan, Guizhou, Chongqing and Tibet Autonomous Region as compared with the corresponding period of 2017, which in turn was mainly attributable to the decrease in revenue from financial institutional customers within the same period. Our sales strategies achieved a positive outcome in Sichuan and Chongqing but the sales volume from new customers in such area was comparatively low, the revenue contributed from which could not offset the decrease in revenue from the above provinces and regions;

(ii) A significant decrease in revenue from Guangdong and Jiangsu, in particular: a decrease by approximately RMB4.4 million for the six months ended 30 June 2018 compared with the same period in 2017, or 72.9% of the revenue from Guangdong; a decrease by approximately RMB4.0 million for the six months ended 30 June 2018 compared with the same period in 2017, or 68.7% of the revenue from Jiangsu. The decrease in revenue in the above-mentioned provinces were mainly due to non-sustainability (or the one-off nature) of the sales orders from tender customers, and the failure of the revenue from new customers in the above provinces and regions in offsetting the reduced revenue from the existing customers; and

(iii) As a result of the positive outcome of our sales strategies in Guangxi, for the six months ended 30 June 2018, the revenue from Guangxi increased by approximately RMB10.8 million as compared with the same period in 2017, which has effectively offset the decline to a certain extent in revenue from other provinces and regions. The increase in revenue from Guangxi was mainly attributable to two new customers from Fangchenggang.

The revenue of Chongqing Branch Office for the six months ended 30 June 2018 was approximately RMB3.8 million, representing a decrease of approximately 0.2% as compared with the six months ended 30 June 2017.

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 six months ended 30 June 2018, the Group's cost of sales amounted to approximately RMB27.5 million, representing a decrease of approximately 18.6% from approximately RMB33.8 million for the six months ended 30 June 2017. Such decrease was mainly due to (i) the decrease in the Group's sales volume by approximately RMB3.6 million; (ii) the decrease in the cost of raw material by approximately RMB5.8 million; (iii) the decrease in salary of production staff by approximately RMB0.1 million, and (iv) the decrease in other production expenses by approximately RMB0.4 million.

Gross profit

Gross profit increased from approximately RMB14.0 million for the six months ended 30 June 2017 to approximately RMB16.6 million for the six months ended 30 June 2018. Gross profit margin increased from 29.3% for the six months ended 30 June 2017 to 37.6% for the six months ended 30 June 2018. Such increase was mainly due to the cost of sales for the six months ended 30 June 2018 decreasing by RMB6.3 million as compared with the corresponding period of 2017, thereby resulting in an increase in gross profit margin, while the sales volume of the Group for the six months ended 30 June 2018 decreased by RMB3.6 million as compared with the corresponding period of 2017.

Administrative expenses

For the six months ended 30 June 2018, the Group's administrative expenses amounted to approximately RMB5.7 million, representing a decrease of approximately 32.7% from approximately RMB8.4 million for the six months ended 30 June 2017. Such decrease was mainly attributable to the decrease of approximately RMB2.6 million in listing expense recognised in profit or loss during six months ended 30 June 2018, and the decrease of approximately RMB0.3 million in loss on disposal of company products as compared with the corresponding period of 2017.

Selling and distribution expenses

For the six months ended 30 June 2018, the selling and distribution expenses of the Group amounted to approximately RMB2.2 million, representing a decrease of approximately 15.4% from approximately RMB2.6 million for the six months ended 30 June 2017. Such decrease was mainly attributable to the decrease in advertising expenses and shipping expenses over the comparable periods.

Income tax expense

For the six months ended 30 June 2018, the Group's income tax expense amounted to approximately RMB2.4 million, representing an increase of approximately 59.3% from approximately RMB1.5 million for the six months ended 30 June 2017. Such increase was mainly attributable to an increase in taxable profit of the Group generated in the relevant period.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2018, the Group financed its operations by internally generated cash flow, banking facilities provided by banks and net proceeds from the placing of new shares. The Group had net current assets of approximately RMB92.6 million as at 30 June 2018 (31 December 2017: approximately RMB85.6 million) including bank balances and cash of approximately RMB13.8 million (31 December 2017: approximately RMB36.4 million). The Group has no outstanding interest bearing bank loan as at 30 June 2018 (31 December 2017: no outstanding interest bearing bank loan). The Group's current ratio (defined as the ratio of current assets to current liabilities) was approximately 5.6 as at 30 June 2018 (31 December 2017: approximately 4.5).

CAPITAL STRUCTURE

The Group's total equity attributable to the owners of the Company amounted to approximately RMB158.7 million as at 30 June 2018 (31 December 2017: approximately RMB152.7 million). The Group's total equity attributable to the owners of the Company includes share capital and capital reserve.

PLEDGE OF ASSETS

During the six months ended 30 June 2018, the Group did not have any pledge of assets.

OTHER INFORMATION

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not as at 30 June 2018 have other future plans for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2018, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the Company as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted the share option scheme of the Company (the "**Share Option Scheme**") by way of written resolutions on 19 December 2016. Since the adoption, no share option has been granted under the Share Option Scheme, and no share option has been granted as at 30 June 2018.

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 Group) in favour of the Company (for itself and each of its subsidiaries). The details of the Deed of Non-Competition have been disclosed in the Prospectus under the section headed "Relationship with Controlling Shareholders — Non Competition Undertakings" of the Prospectus.

OTHER INFORMATION

COMPETING INTEREST

Mr. Ma is the sole shareholder of Myshowhome International Limited ("**Myshowhome International**", together with its subsidiaries, the "**Myshowhome Group**"). Myshowhome International holds 100% interest in Myshowhome (Hong Kong) Limited ("**Myshowhome HK**"), which in turn holds 100% interest in Dongguan Shangpin Furniture Co., Ltd. (東莞市尚品家具有限公司) ("**Shangpin**"). Shangpin is a wholly foreign-owned enterprise established under the laws of the PRC on 10 July 2012 with a registered capital of HK$8 million and is principally engaged in the manufacturing of sofas and sofa-beds for export to places outside the PRC. Mr. Ma confirms that Myshowhome International and Myshowhome HK are both investment holding companies. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

Save as disclosed above, none of the controlling shareholders, the Directors and their respective close associates (as defined under the GEM Listing Rules) has any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules since the Listing Date and up to the date of this announcement.

INTERESTS OF THE COMPLIANCE ADVISER

As the Company's original compliance adviser, Convoy Capital Hong Kong Limited has resigned, on 5 March 2018, the Company appointed Octal Capital Limited as the new compliance adviser of the Company. As notified by Convoy Capital Hong Kong Limited and Octal Capital Limited, neither they nor any of their directors, employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2018 (excluding 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 (the "**Compliance Adviser Agreements**")).

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

OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 19 December 2016 with written terms of reference. The 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 condensed consolidated financial results for the six months ended 30 June 2018.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the six months ended 30 June 2018 and up to the date of this announcement.

NO CHANGE IN INFORMATION OF DIRECTORS

During the six months ended 30 June 2018, there was no change in the information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 30 June 2018, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have bought or sold any shares of the Company.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the period from the Listing Date to 30 June 2018, 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, 10 August 2018

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

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