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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8370)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 announcement, for which the directors (the "Directors") of Zhi Sheng Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries. 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.

ANNUAL RESULTS

The board of Directors (the "Board") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**74,866**	96,959
Cost of sales		**(48,814)**	(62,958)
Gross profit		**26,052**	34,001
Other income	6	**1,423**	392
Selling and distribution expenses		**(5,095)**	(5,428)
Administrative and other expenses		**(16,193)**	(13,813)
Finance costs	7	**–**	(1,035)
Profit before income tax		**6,187**	14,117
Income tax expense	9	**(1,208)**	(4,544)
Profit for the year attributable to the owner of the Company		**4,979**	9,573
Other comprehensive income/(expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**42**	(833)
Total comprehensive income for the year attributable to the owners of the Company		**5,021**	8,740
Earnings per share			
— Basic and diluted (RMB cents)	11	**0.74**	1.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**55,104**	52,400
Payments for leasehold land held for own use under operating leases		**14,206**	14,547
Deposits for the acquisition of property, plant and equipment		**–**	5,848
Total non-current assets		**69,310**	72,795
Current assets			
Payments for leasehold land held for own use under operating leases		**230**	230
Inventories		**17,632**	16,570
Contract assets		**4,766**	–
Trade and other receivables	*12*	**48,949**	56,469
Cash and cash equivalents		**37,438**	36,428
Total current assets		**109,015**	109,697
Total assets		**178,325**	182,492
Current liabilities			
Contract liabilities		**1,074**	–
Trade and other payables	*13*	**12,891**	20,985
Tax payable		**1,391**	3,158
Total current liabilities		**15,356**	24,143
Net current assets		**93,659**	85,554
Total assets less current liabilities		**162,969**	158,349

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Non-current liabilities			
Deferred tax liabilities		**5,458**	5,697
Total non-current liabilities		**5,458**	5,697
Total liabilities		**20,814**	29,840
NET ASSETS		**157,511**	152,652
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**5,923**	5,923
Reserves	*15*	**151,588**	146,729
TOTAL EQUITY		**157,511**	152,652

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share Capital	Share premium	Other reserve	Statutory reserve	Foreign exchange reserve	Retained Earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 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 14(a))*	3,554	(3,554)	–	–	–	–	–
Issue of shares upon the Placing *(Note 14(b))*	2,369	71,075	–	–	–	–	73,444
Transaction cost 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**
Adjustment on adoption of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**(162)**	**(162)**
As at 1 January 2018 (restated)	**5,923**	**137,989**	**(11,131)**	**3,343**	**(9,013)**	**25,379**	**152,490**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**4,979**	**4,979**
Other comprehensive income:							
Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**42**	**–**	**42**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**42**	**4,979**	**5,021**
Transfer to statutory reserve	**–**	**–**	**–**	**815**	**–**	**(815)**	**–**
As at 31 December 2018	**5,923**	**137,989**	**(11,131)**	**4,158**	**(8,971)**	**29,543**	**157,511**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

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

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

2.1 Adoption of new/revised HKFRSs — effective 1 January 2018

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except for adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers that have been summarised below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group adopts HKFRS 9 and HKFRS 15 retrospectively, under the transition method chosen, the Group recognises cumulative effect of initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 December 2017 *RMB'000*	**Impact on initial adoption of HKFRS 9** *RMB'000*	**Impact on initial adoption of HKFRS 15** *RMB'000*	**At 1 January 2018** *RMB'000 (restated)*
ASSETS AND LIABILITIES				
Current assets				
Contract assets	–	–	5,556	5,556
Trade and other receivables	56,469	(162)	(5,556)	50,751
Total current assets	109,697	(162)	–	109,535
Current liabilities				
Contract liabilities	–	–	5,672	5,672
Trade and other payables	20,985	–	(5,672)	15,313
Total current liabilities	24,143	–	–	24,143
Net current assets	85,554	(162)	–	85,392
Net assets	152,652	(162)	–	152,490
EQUITY				
Retained earnings	25,541	(162)	–	25,379
Total equity	152,652	(162)	–	152,490

(a) HKFRS 9 — 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 consolidated financial statements.

(i) Classification and measurement of financial instruments

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Group's existing financial assets and liabilities, as they are comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

(ii) Impairment of financial assets

The Group's trade and other receivables (excluding prepayments) are subject to HKFRS 9's new expected credit loss model. The Group applies the HKFRS 9 simplified approach to measure lifetime expected credit losses for contract assets and trade receivables. The Group has assessed that there is no significant increase of credit risk for other receivables (excluding prepayments), thus the loss allowance is determined as 12 months expected credit losses. Upon adoption of HKFRS 9, the Group has provided loss allowance for the Group's trade and other receivables of RMB162,000 as at 1 January 2018, which are deducted from the gross amount of respective assets and resulted in decrease in the Group's retained earnings and equity of the same amount.

(b) HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Timing of revenue recognition

The Group's revenue arising from sales of office furniture products are recognised at the point in time when customers obtain the control of office furniture products. The directors consider that the adoption of HKFRS 15 has no material impact on the timing of revenue recognised.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Upon adoption of HKFRS 15, the Group reclassified quality assurance deposits of RMB5,556,000 as at 1 January 2018 from trade receivables (Note 12(a)) to contract assets and reclassified consideration received from customers in advance of RMB5,672,000 as at 1 January 2018 from trade and other payables (Note 13) to contract liabilities.

(iii) Significant financing components

Under HKFRS 15, an entity has to adjust the transaction price for the time value of money when a contract contains a significant financing component. The directors consider that quality assurance deposit with quality assurance period for 5 years is a significant financing component in the contract. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component. The accounting treatment is similar to those applied in HKAS 18, except that effect of financing i.e interest income should be presented separately from revenue in profit or loss. Upon adoption of HKFRS 15, the Group recognised interest income arising from unwinding contract assets with significant financing component during year ended 31 December 2018 in other income.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

4. SEGMENT REPORTING

(a) Reportable segments

The executive Directors of the Company have determined that the Group has only one single 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.

	2018	2017
	RMB'000	*RMB'000*
Revenue from external customers		
The PRC (domicile)	**74,866**	96,959

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.

(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:

	2018	2017
	RMB'000	*RMB'000*
Customer A	**12,195**	14,559

5. REVENUE

	2018	2017
	RMB'000	*RMB'000*
Revenue recognised at a point in time		
Sale of office furniture products	**74,866**	96,959

Disaggregation of revenue from contracts with customers is as follows:

	2018	2017
	RMB'000	*RMB'000*
Type of customers		
PRC governmental departments	**11,824**	13,089
Financial institutions	**15,015**	18,993
Other entities	**48,027**	64,877
	74,866	96,959

The Group sells office equipment products to customers and revenue is recognised when the control of goods are transferred to customers, i.e. when office furniture products are delivered, installed and accepted by customers.

6. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Bank interest income	**54**	81
Exchange gain, net	**45**	17
Interest income from other receivables	**720**	117
Interest income arising from unwinding contracts assets with significant financing component *(Note)*	**509**	–
Gain on disposal of property, plant and equipment	**–**	45
Subsidy income	**87**	132
Others	**8**	–
	1,423	392

Note: During the year ended 31 December 2017, interest income arising from unwinding discounted quality assurance deposits of approximately RMB533,000 was included in revenue.

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**–**	1,035

8. PROFIT BEFORE INCOME TAX

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

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration	**624**	608
Amortisation of payments for leasehold land held for own use under operating leases	**341**	341
Cost of inventories recognised as expense	**48,813**	62,958
Write-down of inventories to net realisable value	**369**	–
Depreciation of property, plant and equipment	**4,160**	3,766
Loss/(gain) on disposal of property, plant and equipment	**88**	(45)
Impairment loss on trade receivables	**146**	–
Listing expenses	**–**	2,398
Operating lease charges on rental premises	**1,363**	1,348
Staff costs (including directors' remuneration		
— Salaries, allowances and benefits in kind	**7,733**	7,188
— Retirement benefit scheme contribution	**2,295**	2,317
	10,028	9,505

9. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax		
— tax for the year	**1,458**	4,943
— over-provision in respect of prior years	**(11)**	(160)
	1,447	4,783
Deferred tax	**(239)**	(239)
	1,208	4,544

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 2018 and 2017.

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 RMB43,697,000 (2017: RMB36,340,000) 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.

10. DIVIDENDS

No dividend has been paid or declared during the years ended 31 December 2018 and 2017 nor has any dividend been declared since the end of the reporting period.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the year ended 31 December 2018 of approximately RMB4,979,000 (2017: RMB9,573,000), and the basis of 670,000,000 ordinary shares of the Company in issue (2017: the basis of weighted average number of 656,783,562 ordinary shares of the Company deemed to be in issue during the year ended 31 December 2017, which was computed on the basis that the 402,000,000 ordinary shares of the Company in issue after the completion of the Reorganisation and the capitalisation issue has been issued on 1 January 2017).

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2018 and 2017. Accordingly, the diluted earnings per share presented are the same as basic earnings per share.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2018	As at 1 January 2018	As at 31 December 2017
	RMB'000	*RMB'000* (restated)	*RMB'000*
Trade receivables *(Note (a))*	**18,549**	25,186	30,742
Other receivables	**3,855**	3,410	3,410
Deposits	**1,389**	1,497	1,497
Prepayments	**25,464**	20,820	20,820
	49,257	50,913	56,469
Less: Loss allowances	**(308)**	(162)	–
	48,949	50,751	56,469

(a) Trade receivables

	As at 31 December 2018	As at 1 January 2018	As at 31 December 2017
	RMB'000	*RMB'000* (restated)	*RMB'000*
Trade receivables, gross *(Note)*	**18,549**	25,186	30,742
Less: Loss allowance	**(263)**	(117)	–
Trade receivables, net	**18,286**	25,069	30,742

Note: Upon the adoption of HKFRS 15, outstanding QADs of RMB5,556,000 as at 1 January 2018 included in trade receivables (Note 12(a)) are now classified as contract assets.

The credit periods on sales of goods for customers are normally within 30 days or up to 180 days from invoice date depends on contract terms.

The ageing analysis of trade receivables as of the end of reporting period, based on invoice dates, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**7,217**	16,390
More than 3 months	**11,332**	14,352
	18,549	30,742

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

	2018	2017
	RMB'000	*RMB'000*
Current (not past due)	**7,279**	21,492
Less than 1 month past due	**684**	3,809
1 to 3 months past due	**2,033**	731
More than 3 months but less than 6 months past due	**5,742**	4,210
More than 6 months past due	**2,548**	500
	18,286	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 related to a number of independent customers that have a good track record with the Group.

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

13. TRADE AND OTHER PAYABLES

	As at 31 December 2018	As at 1 January 2018	As at 31 December 2017
	RMB'000	*RMB'000* (restated)	*RMB'000*
Trade payables *(Note (a))*	**4,496**	6,548	6,548
Other payables and accruals	**3,731**	3,442	3,442
Other tax payables	**4,664**	5,323	5,323
Receipts in advance *(Note)*	**–**	–	5,672
	12,891	15,313	20,985

Note: Upon adoption of HKFRS 15, considerations received in advance from customers of RMB5,672,000 as at 1 January 2018 included in trade and other payables (Note 13) are now classified as contract liabilities.

(a) Trade payables

The ageing analysis of the Group's trade payables as of the end of reporting period, based on invoice dates is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**459**	1,673
More than 3 months	**4,037**	4,875
	4,496	6,548

14. SHARE CAPITAL — GROUP AND COMPANY

The movements of ordinary share capital during the years ended 31 December 2018 and 2017 are as follows:

	Number	***RMB'000***
Authorised:		
Ordinary shares of the Company of HK$0.01 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,500,000,000	13,493
Issued and fully paid:		
At 1 January 2017	10,000	–
Capitalisation issue *(Note (a))*	401,990,000	3,554
Issue of shares upon the placing *(Note (b))*	268,000,000	2,369
At 31 December 2017, 1 January 2018 and 31 December 2018	670,000,000	5,923

Notes:

(a) 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").

(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 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 of the Company dated 30 December 2016. 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.

15. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity.

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 Furniture Co., Limited ("Sichuan Greenland") and branch office in Chongqing ("Chongqing Branch Office") are located in Chengdu city and Chongqing city, respectively.

As affected by the economic slowdown, the national PRC government department has stipulated "No new construction of office buildings within the next five years, downsizing in office space, and new office furniture 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. Moreover, the increasingly strict environmental regulation of governments at all levels in China to a certain extent increased the pressure on product cost. The above factors have presented greater challenge to the Group's development.

Under the combined influence of the above factors, 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 actively implemented the established sales strategy, strived to overcome various difficulties, and basically achieved the goal of stabilizing the Group's market share in the five provinces of Southwest China. Meanwhile, the Group effectively expanded the markets outside Southwest China.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group recorded revenue of approximately RMB74.9 million, representing a decrease of approximately 22.8% as compared to the same period in 2017.

Revenue of Sichuan Greenland was approximately RMB66.0 million for the year ended 31 December 2018, representing a decrease of approximately RMB17.4 million or 20.8% as compared to the year ended 31 December 2017.

(i) Revenue for the year ended 31 December 2018 attributable to our historically strong sales provinces and autonomous regions such as Sichuan province, Yunnan province, Guizhou province, Chongqing city, Tibet Autonomous Region decreased by approximately RMB12.7 million or 20.4% as compared to the same period of 2017. Among them, the large customer orders obtained in Sichuan province and Tibet Autonomous Region have decreased significantly compared with the same period in 2017 and the revenue from financial institutions decreased year-on-year. Although revenue for the year ended 31 December 2018 attributable to Yunnan province, Guizhou province, Chongqing city increased by approximately RMB1.3 million or 20.8% as compared to the same period of 2017, the average sales volume of new customers in the region is relatively low, so the realized revenue did not make up for the decline in revenue of the above provinces;

(ii) The revenue attributable to Guangdong province and Jiangsu province decreased significantly, mainly due to the non-sustainable (or one-off) nature of the sales orders of bidding customers and the revenue realized by the new customers in the above provinces in 2018 failed to make up for the reduced revenue of existing customers; and

(iii) Our sales strategy in Guangxi achieved positive results, the revenue for the year ended 31 December 2018 increased by approximately RMB8.1 million or 306.0% as compared to the same period of 2017, offsetting the decrease in revenue from the above provinces to some extent. In addition, Beijing, Shanghai, Henan province and Qinghai province in the northwestern region have also achieved certain growth in sales, but the contribution to the Group's revenue is limited.

For the year ended 31 December 2018, the revenue generated by the Chongqing branch was approximately RMB8.8 million, representing a decrease of approximately RMB4.7 million or 34.8% as compared with the year ended 31 December 2017. This was mainly due to the fact that for the year ended 31 December 2017, we achieved revenue of approximately RMB1.5 million and RMB1.4 million from a private company in Qinghai Province and Hubei Province, respectively while there was no similar large customer in 2018. In addition, the revenue from financial institutions decreased significantly year-on-year from approximately RMB1.9 million for the year ended 31 December 2017 to RMB0.9 million for the year ended 31 December 2018, which was one of the important factors for the decline in the revenue of Chongqing branch.

Cost of sales

For the year ended 31 December 2018, the Group's cost of sales amounted to approximately RMB48.8 million, representing a decrease of approximately 22.5% from approximately RMB63.0 million for the year ended 31 December 2017. Such decrease was mainly due to: (i) the Group's sales decreasing by approximately RMB22.1 million; (ii) a decrease in the cost of raw materials used and cost of goods purchased of approximately RMB13.4 million; (iii) a decrease in salary of production staff of approximately RMB0.3 million; and (iv) a decrease in other production expenses of approximately RMB0.4 million.

Gross profit

Gross profit decreased from approximately RMB34.0 million for the year ended 31 December 2017 to approximately RMB26.1 million for the year ended 31 December 2018. The gross profit margin decreased from approximately 35.1% for the year ended 31 December 2017 to approximately 34.8% for the year ended 31 December 2018. Such decrease was mainly attributable to the year-on-year decrease of approximately 22.8% in the sales revenue of the Group for the year ended 31 December 2018 as compared with the same period in 2017, resulting in a decrease in total gross profit of approximately RMB7.9 million.

Other income

For the year ended 31 December 2018, the Group's other income amounted to approximately RMB1,423,000, representing an increase of approximately 263.0% from RMB392,000 for the year ended 31 December 2017.Such increase was mainly attributable to the implementation of HKFRS 15 Revenue from Contracts with Customers from the beginning of this year, resulting in the reclassification of interest income arising from unwinding discounted quality assurance deposits as other income.

Selling and distribution expenses

For the year ended 31 December 2018, the Group's selling and distribution expenses amounted to approximately RMB5.1 million, representing a decrease of approximately 6.1% from RMB5.4 million for the year ended 31 December 2017. Such decrease was mainly attributable to the accrual completion of depreciation for the decoration of the exhibition hall of Chongqing branch.

Administrative and other expenses

For the year ended 31 December 2018, the Group's administrative and other expenses amounted to approximately RMB16.2 million, representing an increase of approximately 17.2% from approximately RMB13.8 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in the R&D expenses of innovative products for this year as compared with the same period of last year.

Income tax expense

For the year ended 31 December 2018, the income tax expense of the Group amounted to approximately RMB1.2 million, representing a decrease of approximately RMB3.3 million or 73.4% as compared to the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in the taxable profits of the Group generated during the year ended 31 December 2018.

Profit for the year attributable to the owners of the Company

For the year ended 31 December 2018, the profit for the year attributable to the owners of the Company amounted to approximately RMB5.0 million, representing a decrease of approximately RMB4.6 million from approximately RMB9.6 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease of approximately 22.8% in sales revenue of the Group for the year ended 31 December 2018 compared to that of 2017, resulting in a decrease of approximately RMB7.9 million in gross profit. Meanwhile, the administrative and other expenses for the year increased by approximately 17.2% over the same period of 2017. This is also an important factor leading to the decline in profit.

Contract assets, trade and other receivables

Contract assets, trade and other receivables decreased from approximately RMB56.5 million as at 31 December 2017 to approximately RMB53.7 million as at 31 December 2018. Such decrease was mainly attributable to recovering customers' trade settlements on schedule.

Contract liabilities, trade and other payables

Contract liabilities, trade and other payables decreased from approximately RMB21.0 million as at 31 December 2017 to approximately RMB14.0 million as at 31 December 2018. Such decrease was mainly because the delivery of orders in 2018 reduced the amount of contract liabilities from Sichuan Greenland of approximately RMB4.6 million and the decrease of approximately RMB2.1 million in trade payables due to suppliers caused by the decrease in purchases of raw materials.

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 and 268,000,000 ordinary shares were issued at HK$0.31 per shares by way of the placing. 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 2018 (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	**Actual use of proceeds during the Review Period**
	HK$ million	*HK$ million*
Renovation of the exhibition hall at Sichuan Greenland	5.0	5.0
Acquisition of machinery and equipment	10.9	6.1
Repayment of existing short-term bank borrowings	42.8	42.8
Working capital and other general corporate purposes	1.0	1.0
	59.7	54.9

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During the year ended 31 December 2018, the Group financed its operations by internally generated cash flow and net proceeds from the Placing. As at 31 December 2018, the net current assets of the Group amounted to approximately RMB93.7 million (31 December 2017: approximately RMB85.6 million), including bank balances and cash of approximately RMB37.4 million (31 December 2017: approximately RMB36.4 million). The Group has no outstanding interest-bearing bank loans as at 31 December 2018 (31 December 2017: Nil). As at 31 December 2018, the current ratio, being the ratio of current assets to current liabilities, was approximately 7.1 (31 December 2017: 4.5).

CAPITAL STRUCTURE

For the year ended 31 December 2018, the Group's total equity attributable to owners of the Company amounted to approximately RMB157.5 million (31 December 2017: approximately RMB152.7 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 2018, 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 long term.

GEARING RATIO

The gearing ratio (defined as total debt divided by total equity as at 31 December 2018, total debt represents all liabilities excluding trade payables, tax payable, deferred tax liabilities and provision (if any)) was approximately 0.02 (31 December 2017: approximately 0.1).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no significant capital commitments.

PLEDGE OF ASSETS

As of 31 December 2018, 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 2018.

CONTINGENT LIABILITIES

As at the date of this announcement, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group engaged a total of 236 employees (2017: 232) including the Directors. For the year ended 31 December 2018, total staff costs amounted to approximately RMB10.0 million (2017: approximately RMB9.5 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 announcement, no administrative sanction, penalty or punishment has been imposed upon the Group for the violation of any environmental laws or regulations.

EVENTS AFTER THE REPORTING PERIOD

The 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 2018, 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.

AUDIT COMMITTEE

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

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

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs and budget.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the year ended 31 December 2018 and up to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil). No shareholder has agreed to waive dividends.

ANNUAL GENERAL MEETING (THE "AGM")

The AGM of the Company will be held on Friday, 14 June 2019 at 11:00 a.m. A notice convening the AGM will be published on the Company's website at www.qtbgjj.com and the GEM website at www.hkgem.com in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 June 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 December 2018 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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

Hong Kong, 22 March 2019

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

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