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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)

REALLOCATION AND CHANGE IN USE OF PROCEEDS

References are made to the prospectus (the “**Prospectus**”) of Zhi Sheng Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 December 2016 relating to the listing of the shares (the “**Listing**”) in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing (the “**Placing**”), and the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”) dated 9 August 2019 in which the utilisation of proceeds from the Placing up to 30 June 2019 was disclosed. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The Board announces that, after considering the existing business condition and development of the Group, it has resolved to reallocate and change the use of proceeds from the Listing.

USE OF PROCEEDS

As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to deploy HK\$10.9 million out of the net proceeds received from the Listing, for the purpose of the acquisition of new machinery and equipment.

As at the date of this announcement, approximately HK\$6.1 million has been used as intended. The un-utilised proceeds of approximately HK\$4.8 million were deposited in the Group’s bank accounts, and the Board has resolved to reallocate such un-utilised proceeds of approximately HK\$4.8 million as general working capital of the Group for its daily operation.

REASONS FOR REALLOCATION AND CHANGE IN USE OF PROCEEDS

The planned use of proceeds from the Listing as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied in accordance with the actual development of the market from time to time.

As disclosed in the Prospectus, the Group intended to acquire machinery and equipment to streamline the Company's production process and enable the Company to produce modern, contemporary and/or sophisticated furniture capable of meeting the increasingly demanding requirements of our customers.

As disclosed in the 2019 Interim Report, the machinery and equipment have been purchased as planned and have been delivered, and the actual use of proceeds for the acquisition of machinery and equipment amounted to a total of HK\$6.1 million up to the six months ended 30 June 2019. Taken into account the continued impact of the intensified domestic market competition, the "US-China trade war", the PRC government policies which reduced government procurement of office furniture, together with the recent outbreak of the novel coronavirus, the Group expects to face challenges and pressures in its furniture business in the future. Therefore, the Company considered that there will not be a present need to further acquire the machinery and equipment for its furniture business as planned. As such, to maintain flexibility in funding for daily operation, the Company considers it is more reasonable and commercially beneficial to reallocate and change the use of the approximately HK\$4.8 million balance of the proceeds as general working capital.

For the avoidance of doubt, all other proceeds raised from the Listing have been utilised in accordance with the plans of the Company as disclosed in the Prospectus.

The Board is of the view that the reallocation and change in use of proceeds from the Listing would not materially affect the business of the Group as a whole, and would meet the financial needs of the Group more efficiently with regard to the latest development of the Group's operations and business. The Board believes that such flexibility in financial management is in the interest of the Company and its shareholders as a whole.

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

Hong Kong, 19 February 2020

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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.

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.qtbj.com.