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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)

PROFIT WARNING

This announcement is made by Zhi Sheng Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that based on the preliminary assessment of the information currently available, the Group expects to record an increase of more than 100% in loss attributable to the owners of the Company for the three months ended 31 March 2020 as compared to the corresponding period last year, mainly attributable to the overall weak demand and intensified competition in the office furniture market. In order to secure its market shares, the Group decided to improve the success rate in bidding by reducing the gross margin of projects and granting longer credit period to customers. Although the actual revenue increased by over 30% as compared to the corresponding period last year, the overall realized gross profit still fell by more than 30% as compared to the corresponding period last year due to the decrease in gross margin. In addition, the Group recorded an increase of more than 40% in selling and distribution expenses as compared to the corresponding period last year mainly due to the impact of the novel coronavirus outbreak. To ensure delivery of orders on schedule, installation and transportation costs, loading fees and travel expenses incurred during the period have increased by more than 40% as compared to the corresponding period last year. Meanwhile, administrative and other expenses increased by over 50% as compared to the corresponding period last year. Such increase was mainly attributable to (1) the legal and professional fees paid for the acquisition of Polyqueue Limited, (2) an increase in provision for bad debt receivables, and (3) the significant increase in the cost of purchasing epidemic prevention supplies and employee welfare expenses.

In addition, the Group completed the acquisition of Polyqueue Limited, a target company engaged in data center business, during the period. Polyqueue Limited is now a direct wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group starting from this quarter. Goodwill arising from the above acquisition and the financial results of Polyqueue Limited from the acquisition date to 31 March 2020 are still to be finalized. It is expected that its financial results during the period will have a positive impact on the Group’s financial performance. (Details of the

acquisition were disclosed in the Company's announcements dated 21 October 2019, 11 November 2019 and 12 December 2019, the circular dated 13 December 2019 and the announcement dated 15 January 2020.)

The Company is still in the process of finalizing the Group's results for the three months ended 31 March 2020. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group and the information currently available, and is not based on any figures or information which have been audited or reviewed by the auditor or the audit committee of the Company. Actual results of the Group for the three months ended 31 March 2020 may be different from those disclosed in this announcement. Shareholders and potential investors of the Company are advised to read carefully the results announcement of the Company for the three months ended 31 March 2020, which is expected to be published in early May 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 April 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 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.

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.qtbj.com.