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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 60% in loss attributable to the owners of the Company for the year ended 31 December 2020 (“**Reporting Period**”) as compared to the corresponding period last year. The loss increased substantially was mainly attributable to the reduction of project gross margin by the Group to increase its competitiveness, and due to the novel coronavirus epidemic, the Group offered lower price to obtain more orders to maintain effective operation. The gross margin was further decreased by the impairment loss of inventory and the provision for inventory loss. Although the revenue realized from furniture products during the Reporting Period increased by approximately 19% as compared to the corresponding period last year, the overall realized gross profit still fell by 39% as compared to the corresponding period last year. Meanwhile, the Group recorded an increase of more than 60% in administrative and other expenses as compared to the corresponding period last year, mainly attributable to (1) amortisation of the intangible assets arising from acquisition of Polyqueue Limited (“**Polyqueue Data Center**”), (2) increases in bad debt loss for trade receivables and expected credit loss. Meanwhile, the Group recorded a significant increase in finance cost as compared to the corresponding period last year, mainly due to (1) finance cost on the new working capital bank loan of RMB30 million, and (2) interest expenses on convertible bonds newly incurred. Besides, the Group is in the course of its fixed asset revaluation. The above mentioned expected loss has not taken into account if value of the fixed assets will be impaired nor the related impairment amount.

In addition, the Group completed the acquisition of Polyqueue Data Center during the period. It has become a direct wholly-owned subsidiary of the Company and its financial results have been consolidated into the financial statements of the Group since 15 January 2020. It is expected that its financial results from the acquisition date up to 31 December 2020 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 Reporting Period. 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 Reporting Period 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 Reporting Period, which is expected to be published in late March 2021.

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, 9 February 2021

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.