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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 160% in loss attributable to the owners of the Company for the eighteen months period ended 30 June 2022 (“**Reporting Period**”) as compared to the audited year ended 31 December 2020. The significant increase in loss was mainly attributable to (1) administrative expenses, amounting to approximately RMB16.53 million, recognized by equity-settled share-based accounting method as a result of the grant of share option during the Reporting period; (2) the share-based payment expenses generated by the issue of convertible bonds during the Reporting Period, amounting to approximately RMB13.80 million; (3) the recognition of expenses upon preliminary assessment of goodwill impairment, amounting to approximately RMB5.6 million; (4) under the raging COVID-19 epidemic and the deep downturn in the office furniture industry, the majority of potential customers were cautious in purchasing or postponing the replacement of furniture products, resulting in fewer new sales orders being placed. As this report covered eighteen months, the sales income decreased by approximately 11.3% year-on-year after calculating the average monthly sales income despite the overall sales income of the furniture segment increased by approximately 33.6% as compared with the audited last year; (5) the provision for loss of inventories of furniture segment increased approximately 3.2 times as compared to the audited last year; (6) the impairment losses on trade and other receivables and prepaid accounts of the furniture segment were expected to increase by more than 3.6 times as compared to the audited last year; and (7) the financing costs due to the issue of convertible bonds increased by approximately 1.1 times as compared to the audited last year.

Besides, the data centre segment began to recognize revenue related to buildout management projects according to the project progress. Excluding the goodwill impairment and the amortization of intangible asset arising from the acquisition of the data centre business, it is expected that its overall revenue will have a positive impact on the Group’s performance.

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 September 2022.

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, 26 August 2022

As at the date of this announcement, the Board comprises Mr. Yi Cong, Mr. Liang Xing Jun, Mr. Ma Gary Ming Fai and Mr. Lai Ningning as executive directors; Mr. Luo Guoqiang as non-executive director; and Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Li Saint Chi Saini 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.