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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 6 June 2019 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place, on a best effort basis and on behalf of the Company, up to 134,000,000 Placing Shares to not less than 6 Placees who and whose ultimate beneficial owners shall be Independent Third Parties at the Placing Price of HK\$0.235 per Placing Share.

The Placing Price of HK\$0.235 per Placing Share represents (i) a discount of approximately 18.97% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 18.97% to the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days immediately prior the date of the Placing Agreement of approximately HK\$0.29 per Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of the Completion, the maximum number of the Placing Shares represents (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of such Placing Shares.

The Placing Shares will be allotted and issued under the General Mandate. The Placing is conditional upon, among other things, the grant by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, all of the Placing Shares.

Assuming the maximum number of 134,000,000 Placing Shares are placed under the Placing Agreement, the gross proceeds from the Placing will be approximately HK\$31.49 million and the net proceeds will be approximately HK\$30.76 million (after deduction of commission and other expenses of the Placing). The Directors intend to use the net proceeds for the general working capital of the Group.

Shareholders and potential investors of the Company shall be aware that Completion is subject to the satisfaction of the conditions precedent of the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

The Board is pleased to announce that on 6 June 2019 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement in relation to the placing of the Placing Shares by the Placing Agent on a best effort basis and on behalf of the Company.

The principal terms of the Placing Agreement are set out below:

Date

6 June 2019 (after trading hours of the Stock Exchange)

Parties

Issuer: The Company
Placing Agent: Celestial Capital Limited

The Placing Agent has been appointed by the Company to procure, on a best effort basis and on behalf of the Company, the Placees to subscribe for the Placing Shares at the Placing Price during the period commencing from the date of the Placing Agreement and terminating on the date of Completion (unless the Placing Agreement is terminated before Completion takes place according to the terms thereof). Pursuant to the terms of the Placing Agreement, the Placing Agent may carry out the Placing by itself and/or through its sub-placing agent(s).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Agent will place, on a best effort basis and on behalf of the Company, to not less than six Placees, who and whose ultimate beneficial owners, shall be Independent Third Parties. It is expected that none of the Placees will become a substantial shareholder (as defined under the GEM Listing Rules) of the Company immediately after Completion.

Placing Shares

As at the date of this announcement, the Company has 670,000,000 Shares in issue. Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of the Completion, the maximum number of Placing Shares of up to 134,000,000 Shares under the Placing represents (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of such Placing Shares. The maximum aggregate nominal value of the Placing Shares under the Placing will be HK\$1,340,000.

Placing Price

The Placing Price of HK\$0.235 per Placing Share represents:

- (i) a discount of approximately 18.97% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 18.97% to the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement of approximately HK\$0.29 per Share.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing (including the Placing Price and the placing commission (as detailed in the following paragraph headed "Placing commission")) are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

Placing Commission

The Placing Agent will receive from the Company a placing commission of 2% of the gross proceeds from the Placing.

Ranking of Placing Shares

The Placing Shares shall rank pari passu in all respects among themselves and with the Shares then in issue on the date of the allotment and issue of the Placing shares, including the right to receive all dividends declared or payable or distribution made or proposed to be made at any time by reference to a record date falling on or after the date of allotment and issue of the Placing Shares.

Conditions of the Placing

The Placing is conditional upon fulfilment of all of the following conditions:

- (i) the Placee(s) having been identified and procured by the Placing Agent;
- (ii) the listing of and permission to deal in the Placing Shares having been granted by the Listing Committee (and such listing and permission not subsequently revoked prior to the delivery of valid and definitive share certificate(s) representing the Placing Shares to HKSCC and/or the Placee(s) (as the case may be));
- (iii) the allotment, issue and subscription of the Placing Shares not having been prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Placing Agreement by any legislative, executive or regulatory body or authority (including the Stock Exchange and the SFC) which is applicable to the Company; and
- (iv) all relevant approvals and consents from governmental or other competent authority or in accordance with applicable Laws having been obtained.

If any of the above conditions is/are not fulfilled on or before 11 June 2019, the Placing Agreement shall terminate and neither the Company nor the Placing Agent shall be liable to the other or have any claim against the other for damages, compensation or otherwise save and except any liability for antecedent breaches of either party to the Placing Agreement, and the Company shall remain liable for the payment of any costs, charges and expenses as agreed and to the extent already incurred under the Placing Agreement.

Completion

Completion shall take place on the date falling two Business Days after the fulfilment of all of the conditions precedent of the Placing Agreement (details of which are set out in the above paragraph headed “Conditions of the Placing”), or such later date as the Company and the Placing Agent may agree in writing. Upon Completion, the Placing shares will be allotted and issued to the Placees in exchange for the payment of net proceeds of the Placing to the Company.

Application for Listing

The Company will make an application to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

General Mandate

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the 2018 AGM, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the 2018 AGM. Under the General Mandate, the Company is authorised to issue up to 134,000,000 new Shares. Up to the date of this announcement, zero new Shares have been issued under the General Mandate. Accordingly, the allotment and issue of the Placing Shares of up to 134,000,000 is not subject to any additional approval of the Shareholders.

Termination

If at any time on or prior to the date of Completion:

- (i) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement, such a change in local or national or international financial, political or economic conditions or taxation or exchange controls or any other issue as would be likely to prejudice materially the consummation of the Placing; or
- (ii) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and on or prior to the date of Completion which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (iii) there is any adverse change in the financial position of the Company and/or any member of the Group which in the reasonable opinion of the Placing Agent is material in the context of the Placing,

then and in any such case, the Placing Agent shall be entitled to terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 3:00 p.m. (Hong Kong time) on the date of Completion.

The Directors are not aware of the occurrence of any of the above events as at the date of this announcement.

Shareholders and potential investors of the Company shall be aware that Completion is subject to the satisfaction of the conditions precedent of the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

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

Assuming the maximum number of the Placing Shares is placed under the Placing Agreement, the gross proceeds from the Placing will be approximately HK\$31.49 million, and the net proceeds will be approximately HK\$30.76 million (after deduction of commission and other expenses of the Placing), representing a net issue price of approximately HK\$0.230 per Placing Share.

The Directors intend to use the net proceeds for the general working capital of the Group.

Reference is made to the first quarterly report 2019 of the Company dated 10 May 2019, the Group recorded a loss of approximately RMB1.5 million for the three months ended 31 March 2019 as compared with a profit of approximately RMB4.3 million for the three months ended 31 March 2018. The loss was mainly attributable to the decrease in sales of approximately 68.0% for the three months ended 31 March 2019 as compared with the corresponding period in 2018, while sales expenses and administrative expenses increased as compared with the corresponding period in 2018. The significant decrease in revenue is mainly due to the non-sustainable (or one-off) nature of the sales orders of bidding customers from Guangxi Autonomous Region, Guangdong province and Jiangsu province. They were major customers in all the above provinces during the first quarter of 2018, but that did not carry over into the corresponding period of 2019 and thus resulted in a correspondingly significant decline in revenue. In order to increase sales growth, the Group will actively participate in various office furniture bidding businesses in the traditional advantageous provinces and gradually extends the technological research and development inputs on innovative products to increase the Group's competitiveness. In view of the above financial status of the Group, the net proceeds of approximately HK\$30.76 million will be very useful for financing the Group's daily operations.

The Board considers that the Placing represents an opportunity to raise capital for the Group for the purpose of strengthening its financial position while broadening the shareholder base and capital base of the Company. Accordingly, the Directors are of the view that the Placing is in the interest of the Company and its Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement and (ii) the effect on the shareholding structure immediately upon Completion (assuming that there will be no change to the shareholding structure of the Company between the date of this announcement and the date of Completion, and that the maximum number of the Placing Shares will be fully placed) are set out below:

	As at date of this announcement		Immediately upon Completion ^(Note 1)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Shareholders				
Sun Universal Limited ^(Note 2)	245,300,400	36.62	245,300,400	30.51
Brilliant Talent Global Limited ^(Note 3)	116,580,000	17.40	116,580,000	14.50
The Placees	—	—	134,000,000	16.67
Other public Shareholders	<u>308,119,600</u>	<u>45.98</u>	<u>308,119,600</u>	<u>38.32</u>
Total	<u><u>670,000,000</u></u>	<u><u>100</u></u>	<u><u>804,000,000</u></u>	<u><u>100</u></u>

Note:

1. Based on the assumption that there will be no change to the shareholding structure of the Company between the date of this announcement and the date of Completion, and that the maximum number of the Placing Shares will be fully placed to the Placees.
2. The entire issued share capital of Sun Universal Limited is legally and beneficially owned by Mr. Ma Gary Ming Fai. Accordingly, Mr. Ma Gary Ming Fai and his spouse, namely Ms. Hung Fung King Margaret, are deemed to be interested in the Shares held by Sun Universal Limited for the purpose of Part XV of the SFO.
3. The entire issued share capital of Brilliant Talent Global Limited is owned by Ms. Zhang Gui Hong, who is the spouse of Mr. Yi Cong, an executive Director. Accordingly, Ms. Zhang Gui Hong and Mr. Yi Cong are deemed to be interested in all the Shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.
4. The percentages are subject to rounding.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not carried out other equity fund raising activities during the 12 month-period immediately preceding the date of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“2018 AGM”	the annual general meeting of the Company held on 15 June 2018
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Zhi Sheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8370)
“Completion”	completion of the Placing in accordance with the terms and conditions set out in the Placing Agreement
“Director(s)”	the director(s) of the Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the 2018 AGM to allot, issue and deal with Shares up to 20% of the then issued share capital of the Company as at the date of the 2018 AGM, which is equivalent to 134,000,000 Shares
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	any persons or company(ies) (together with their respective ultimate beneficial owner(s), if any) is/are third party(ies) (i) independent of, and not connected with the Group, its connected persons (has the meanings as ascribed thereto under the GEM Listing Rules) or their respective associates (has the meanings as ascribed thereto under the GEM Listing Rules), and (ii) not acting in concert (has the meanings as ascribed thereto under the Codes on Takeovers and Mergers and Share Buy-backs) with any connected persons of the Group or their respective associates
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Placee(s)”	any person(s) or entity(ies), being Independent Third Party(ies), procured by the Placing Agent, on best effort basis and on behalf of the Company, to subscribe for any Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares, on best effort basis, by the Placing Agent on and subject to the terms and conditions set out in the Placing Agreement
“Placing Agent”	Celestial Capital Limited, a corporation licensed to carry on business in Type 1 regulated activity (dealing in securities) and Type 6 (advising on Corporate Finance) under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 6 June 2019 in relation to the Placing
“Placing Price”	HK\$0.235 per Placing Share
“Placing Share(s)”	up to 134,000,000 new Shares to be placed pursuant to the Placing Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the issued Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

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

Hong Kong, 6 June 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.