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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)

- (1) MAJOR AND CONNECTED TRANSACTION INVOLVING PROVISION OF FINANCIAL ASSISTANCE,
(2) BUILDOUT MANAGEMENT AGREEMENT,
(3) PROPOSED APPOINTMENT OF DIRECTOR,
(4) CONNECTED TRANSACTION: SHARE OPTION DEED, AND
(5) PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

PLACING AGENT



Forwin Securities Group Limited

FINANCIAL ADVISOR



Capital 9 Limited

PROVISION OF FINANCIAL ASSISTANCE

The Board announces that on 2 June 2021, the SPV Loan Agreement entered into between the Company as lender and the SPV as borrower pursuant to which the Company shall advance the Loan in the aggregate sums of up to RMB100,000,000 (in HK\$ equivalent) in two tranches. The SPV is owned as to 50% by Cloud Knight, which in turn is wholly owned by Mr. Man and as to 50% by Lightning Cloud, which in turn is wholly owned by Mr. Lai.

The SPV is a special purpose vehicle for the purpose of the formation of the JV, which is owned as to 40% by Apollo Cellar, as to 40% by the SPV and as to 20% by OpcoHQ. The JV will be engaged principally in data centre operating businesses in the PRC.

As the applicable percentage ratio in respect of the SPV Loan Agreement is more than 25% but is less than 100%, the entering into of the SPV Loan Agreement and the transactions contemplated thereunder constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to, among others, Shareholders' approval at the EGM.

As Mr. Lai will be appointed as an executive Director, the entering into of the SPV Loan Agreement and the transactions contemplated thereunder constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and shall be subject to, among others, Independent Shareholders' approval at the EGM.

BUILDOUT MANAGEMENT AGREEMENT

The JV Project Company entered into the Buildout Management Agreement dated 1 June 2021 with WNT. Pursuant to the Buildout Management Agreement, WNT will provide engineering and management services in respect of the buildout works of the data centre to be operated by the JV Project Company with the total budgeted contractual sum of RMB405,600,000 in accordance with the terms of the Buildout Management Agreement.

APPOINTMENT OF DIRECTOR AND ENTERING INTO OF SHARE OPTION DEED

The Company proposes to appoint Mr. Lai as an executive Director with effect from the passing of the necessary resolution(s) approving the Appointment at the EGM and subject to compliance with the articles of association and the applicable laws, rules and regulations. The Appointment shall be subject to retirement by rotation and re-election at the Company's general meeting after the Appointment pursuant to the articles of the Company. Mr. Lai will also execute a non-competition undertaking in favour of the Company.

On 2 June 2021, Mr. Lai and the Company entered into the Share Option Deed, pursuant to which the Company has conditionally agreed to grant the Options to Mr. Lai in the consideration of HK\$1.00, exercisable within the Option Period, such that Mr. Lai shall be entitled to require the Company to allot and issue up to a maximum of 100,000,000 Subscription Shares at the Subscription Price upon and subject to the terms set out in the Share Option Deed.

As Mr. Lai will be appointed as an executive Director, the entering into of the Share Option Deed and the transactions contemplated thereunder constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and shall be subject to, among others, Independent Shareholders' approval at the EGM.

PLACING OF CONVERTIBLE BONDS

On 2 June 2021 (after trading hours), the Company entered into the conditional Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Places for the Convertible Bonds subject to the terms and conditions provided in the Placing Agreement.

The initial Conversion Price represents (i) a premium of approximately 49.25% over the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on 2 June 2021, being the date of the Placing Agreement; and (ii) a premium of approximately 44.51% over the average of the closing prices of HK\$0.346 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 2 June 2021. The Conversion Price was arrived at after arm's length negotiations between the Company and the Placing Agent, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors consider that the Conversion Price and the terms and conditions of the Placing Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the assumption that all the Convertible Bonds would be converted into Conversion Shares in full at the initial Conversion Price, the 124,800,000 Conversion Shares represent approximately 13.75% of the existing issued share capital of the Company and approximately 12.09% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares. The net proceeds of the Placing of approximately HK\$60.2 million will be applied towards the commitment of the Group under the SPV Loan Agreement.

GENERAL

A circular containing, among other things, (i) details of the SPV Loan Agreement, the Buildout Management Agreement, the Appointment, the Share Option Deed and the Placing Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the SPV Loan Agreement, the Appointment and the Share Option Deed; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 July 2021.

PROVISION OF FINANCIAL ASSISTANCE TO THE SPV

The entering into of the SPV Loan Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Set out below are the principal terms of the SPV Loan Agreement.

THE SPV LOAN AGREEMENT

Date : 2 June 2021 (after trading hours)

Parties : (a) the Company
(b) the SPV

The SPV is a company incorporated in the British Virgin Islands with limited liability. The SPV is owned as to 50% by Cloud Knight, which in turn is wholly owned by Mr. Man and as to 50% by Lightning Cloud, which in turn is wholly owned by Mr. Lai. The SPV holds 40% equity interests of the JV. The JV is held as to 40% by Apollo Cellar, as to 40% by the SPV and as to 20% by OpcoHQ and is principally engaged in data centre business.

Mr. Lai has years of experience and expertise in the data centre industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the SPV, Mr. Man and Mr. Lai is an Independent Third Party. For the avoidance of doubt, Mr. Man holds 31,536,000 Shares as at the date of the SPV Loan Agreement and Mr. Lai will be appointed as an executive Director as disclosed below.

Conditions precedent

The SPV Loan Agreement and the transactions contemplated thereunder shall be conditional upon the fulfilment and/or waiver of the following conditions precedent:

- (a) completion of the Placing and availability of the financial resources of the Company;
- (b) the passing of the resolution(s) by the Independent Shareholders at the EGM approving the SPV Loan Agreement and the transactions contemplated thereunder;
- (c) completion of due diligence on the JV, the SPV and their subsidiaries (including the JV Project Company) by the Company;
- (d) the entering into of the Buildout Management Agreement (in form and substance satisfactory to the Company) between WNT and the JV Project Company;
- (e) the passing of the resolution(s) by the Independent Shareholders at the EGM approving the Appointment and the Share Option Deed and the transactions contemplated thereunder; and
- (f) the execution of the relevant security documents by the SPV and relevant security parties to charge the entire issued share capital of the SPV in favour of the Company.

The parties may at their absolute discretion at any time waive in writing conditions (a), (c) and (d). For the avoidance of doubt, conditions (b) and (e) are incapable of being waived. If the conditions set out above have not been satisfied (or waived) on or before 31 August 2021 or such later date as the parties to the SPV Loan Agreement may agree, the SPV Loan Agreement shall cease and determine (save as otherwise provided therein) and neither party shall have any obligations nor liabilities towards each other save for any antecedent breaches.

Set out below are the principal terms of the Loan:

Principal: up to RMB100,000,000 in HK\$ equivalents

Interest rate: 6% per annum, payable on or before 31 December of each year

Term: The Loan shall be drawn down in two tranches. The tranche 1 of the Loan shall be in the principal amount of not less than HK\$55,000,000 and shall be drawn within 90 days upon signing of the SPV Loan Agreement (or such longer period as the Company may agree). The tranche 2 of the Loan shall be drawn within one year upon signing of the SPV Loan Agreement (or such longer period as the Company may agree) subject to, among others, availability of the financial resources of the Company.

Subject to the fulfillment of conditions precedent of the SPV Loan Agreement, the availability period of the Loan shall be available from 60 days after the date of the SPV Loan Agreement up to the date falling 12 months from signing of the SPV Loan Agreement (or such other period as may be agreed by the parties thereto).

The outstanding Loan amount shall at any time not exceeding 30% of the accumulated capital contribution of the SPV to the JV.

The Loan shall be utilised by the SPV for onward capital and other contribution to the JV.

Collateral: Share charge to be executed by each of Cloud Knight and Lightning Cloud in favour of the Company in respect of the entire issued share capital of the SPV.

Personal guarantees to be executed by each of Mr. Man and Mr. Lai.

The Company is of the view that, taking into consideration of the personal guarantee, based on the investment costs of the SPV in the JV, the collateral would be sufficient to cover the Loan amount under the SPV Loan Agreement as at the date of this announcement.

Repayment: The SPV shall repay the principal amount of the Loan together with interest accrued thereon on or before 30 months from the drawdown date of the tranche 1 of the Loan.

The Company shall have the right to demand for early repayment of all or part of the outstanding amount of the Loan.

Funding of the Loan

The Group will finance the Loan with its internal resources, the proceeds from the Placing and/or equity/ debt financing.

THE JV

Reference is made to the announcement of the Company dated 14 October 2020 in relation to the entering into of the term sheet for the set up of the JV. The JV will involve in the establishment, operation and/or investment in the data centre business in the PRC. As at the date of this announcement, the JV is owned as to 40% by Apollo Cellar, as to 40% by the SPV and as to 20% by the OpcoHQ. The OpcoHQ is owned (1) as to 45% by Apollo, (2) as to 45% by a special purpose vehicle which is owned as to 50% by Mr. Lai and as to 50% by Mr. Man and (3) as to 10% by Bellanca Inv. Ltd., an investment holding company owned by Bai Yingying, an Independent Third Party.

Apollo is an affiliate of a leading global alternative asset management firm which invests in real estate among other asset classes and is principally engaged in raising, investing and managing funds on behalf of institutional and individual investor. Apollo Cellar is a company incorporated in the Cayman Islands for the JV and is wholly owned by Apollo. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except for Mr. Lai who will be an executive Director upon the Appointment, each of Apollo and OpcoHQ and their respective ultimate beneficial owners are Independent Third Parties.

The JV through its subsidiaries owns 100% of the JV Project Company, which is a company established in the PRC and will involve in the establishment and/or investment in the data centre business in the PRC.

BUILDOUT MANAGEMENT AGREEMENT

Date : 1 June 2021

Parties : (a) WNT
(b) the JV Project Company

WNT is a company established in the PRC and is accounted as a subsidiary of the Company. WNT is principally engaged in data centres operation in the PRC.

The JV Project Company entered into the Buildout Management Agreement dated 1 June 2021 with WNT under which WNT will provide engineering and management services in respect of the buildout works in accordance with the terms of the Buildout Management Agreement. The total budgeted contract sums of the buildout works of the data centre to be operated by the JV Project Company at Gu'an County, Hebei Province, the PRC under the Buildout Management Agreement is RMB405,600,000.

Under the Buildout Management Agreement, WNT shall, among others, through tendering and bidding process if required, engage or procure engagement of suitable third party qualified firms and persons to manage and complete the buildout of the aforesaid data centre and shall be responsible for design, supervision and implementation of the buildout project.

REASONS FOR THE SPV LOAN AGREEMENT AND THE BUILDOUT MANAGEMENT AGREEMENT

The Group is principally engaged in (i) the manufacture and sale of office furniture products in the PRC; and (ii) the data centre business in the PRC.

The Directors have always been proactive in seeking opportunities for expanding the business scope of the Group.

The Directors consider that the entering into the SPV Loan Agreement offers the Group a good business opportunity to have stable interest income and the Buildout Management Agreement also allows the Group further develops its data centre business networks in the PRC with new income sources over the forthcoming years. The Company believes that the SPV and the JV would have business prospects. The Buildout Management Agreement will also allow the Group to broaden its income sources by utilising its data centre operation experience. The Directors consider that the Loan and the Buildout Management Agreement will enhance the earning ability to the Group in the future.

The Directors, including the independent non-executive Directors, consider that the terms of the SPV Loan Agreement and the Buildout Management Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the SPV Loan Agreement and the Buildout Management Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

APPOINTMENT OF DIRECTOR AND ENTERING INTO OF SHARE OPTION DEED

The Company proposes to appoint Mr. Lai as an executive Director with effect from the passing of the necessary resolution(s) approving the Appointment and the Share Option Deed at the EGM and subject to compliance with the articles of association and the applicable laws, rules and regulations. The Appointment shall be subject to retirement by rotation and re-election at the Company's general meeting after the Appointment pursuant to the articles of the Company.

Mr. Lai will enter into a service agreement with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company and the GEM Listing Rules. The director's fee payable to Mr. Lai as executive Director under the service agreement shall be HK\$1 per annum but Mr. Lai shall be entitled to benefits and discretionary bonus as to be determined by the Board. The emolument of Mr. Lai was determined with reference to his duties and responsibilities and the prevailing market conditions. Mr. Lai will also execute a non-competition undertaking in favour of the Company.

Mr. Lai, aged 45, holds a bachelor degree in computer science issued by Beijing Union University. Mr. Lai has worked for years with 21Vianet Group Inc. until 2017 when he was general manager of the network department and senior vice president of 21Vianet Group Inc. and became shareholder of China Internet Exchange in 2017. Mr. Lai has years of experience and expertise in the data centre industry.

Save as disclosed herein, as at the date of this announcement, Mr. Lai (i) does not hold any position with the Company or other members of the Group; (ii) does not have any relationship with any Director, senior management, substantial or controlling shareholder of the Company (as defined in the GEM Listing Rules); and (iii) does not have any interests in the securities of the Company which are required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). There are no matters relating to the Appointment which the Board considers necessary to be brought to the attention of the Shareholders and/or the Stock Exchange and there is no other information which is required to be disclosed pursuant to Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rule.

On 2 June 2021, Mr. Lai entered into the conditional Share Option Deed with the Company.

The Share Option Deed

Date : 2 June 2021

Parties : (a) Mr. Lai
(b) the Company

Options agreed to be granted

Pursuant to the Share Option Deed, the Company has conditionally agreed to grant the Options to Mr. Lai in the consideration of HK\$1.00, exercisable within the Option Period, such that Mr. Lai shall be entitled to require the Company to allot and issue up to a maximum of 100,000,000 Subscription Shares at the Subscription Price upon and subject to the terms set out in the Share Option Deed.

To exercise the Options, Mr. Lai shall notify the Company in writing by issuing a Call Notice at any time during the Option Period that he wishes to exercise the Options to subscribe for the Subscription Shares and shall specify in such notice the number of the Subscription Shares he wishes to subscribe, the aggregate Subscription Price payable for such Subscription Shares.

The Options can be exercised in whole or in part in relation to all (or part of) the Subscription Shares provided that the Subscription Shares subject to the Call Notice shall be 10,000,000 Shares or an integral multiple thereof provided that where the Subscription Shares subject to the Options is less than 10,000,000 Shares, the Call Notice shall relate to the entire number of such Subscription Shares.

Unless otherwise with prior written consent of the Company, the Options shall not be assignable or transferrable by Mr. Lai and may only be exercisable by Mr. Lai himself. Any transfer or assignment of the Options made to any connected person of the Company (as defined under the GEM Listing Rules) shall be subject to compliance with the applicable GEM Listing Rules. Subject to the prior written consent of the Company (which may or may not be given at the absolute discretion of the Company), the Options may be assigned or transferred in whole or in part (in whole multiples of 10,000,000 Options).

Option Period

The Options to subscribe for 100,000,000 Subscription Shares shall be exercisable according to the following exercise period (the “**Option Period**”):

- (i) 40,000,000 Options are exercisable during the period commencing from the date of fulfillment of conditions precedent of the Share Option Deed (the “**Grant Date**”) to the day immediately prior to the fourth anniversary of the Grant Date;
- (ii) 30,000,000 Options are exercisable during the period commencing from the first anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date; and
- (iii) 30,000,000 Options are exercisable during the period commencing from the second anniversary of the Grant Date to the day immediately prior to the fourth anniversary of the Grant Date.

Subscription Price

HK\$35,000,000 in total assuming all the Options are fully exercised, and equivalent to HK\$0.35 per Subscription Share which represents:

- (i) a premium of approximately 4.48% over the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on 2 June 2021, being the date of the Share Option Deed; and
- (ii) a premium of approximately 1.16% over the average of the closing prices of HK\$0.346 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 2 June 2021.

The Board considers that the Subscription Price is fair and reasonable, which are determined after arm’s length negotiations between the Company and Mr. Lai, and are in the interests of the Company and the Shareholders as a whole.

Subscription Shares

The Subscription Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with all other Shares in issue on the date of allotment and issue of the Subscription Shares. The Subscription Shares will be issued under the specific mandate to be sought at the EGM.

Upon full exercise of the Options, a total of 100,000,000 Subscription Shares will be issued, representing 11.02% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.93% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Conditions precedent

The Share Option Deed and the grant of the Options are conditional upon the fulfillment of the following conditions precedent:

- (a) the passing of the resolution(s) by the Independent Shareholders at the EGM approving the SPV Loan Agreement, the Appointment and the Share Option Deed and the transactions contemplated thereunder; and
- (b) the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor Mr. Lai shall reasonably object) listing of and permission to deal in the Subscription Shares to be issued upon the exercise of the Options.

If any of the conditions precedent are not fulfilled on or before 31 August 2021 or such later date as may be agreed between Mr. Lai and the Company, the Share Option Deed will lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

Reasons for the Appointment and the Share Option Deed

Having considered the experience and expertise of Mr. Lai in the data centre business, the Company considers that the Appointment will allow Mr. Lai to utilise his experience and expertise and also his personal network to develop the data centre business of the Group.

Since Mr. Lai will only receive nominal consideration under the service agreement in relation to his Appointment, the Company considers that the Share Option Deed shall provide incentive to Mr. Lai for discharging his duty as an executive Director.

PLACING AGREEMENT

On 2 June 2021 (after trading hours), the Company entered into the conditional Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Places for the Convertible Bonds subject to the terms and conditions provided in the Placing Agreement.

Date: 2 June 2021 (after trading hours)

Parties:

- (i) The Company as issuer
- (ii) The Placing Agent as placing agent

The Placing

Pursuant to the Placing Agreement, the Company agreed to issue and the Placing Agent agreed to procure, on a best effort basis, independent Placees (who will be independent individual, corporate and/or institutional investors) to subscribe in cash for the Convertible Bonds of up to an aggregate principal amount of US\$8,000,000 at the issue price of 100% of the principal amount of the Convertible Bonds. It is expected that the Placees and if applicable their ultimate beneficial owners are Independent Third Parties. Further announcement(s) will be made if there will be less than six Placee(s).

Principal Terms of the Convertible Bonds

Principal amount: Up to US\$8,000,000

Interest rate: The Convertible Bonds shall carry a coupon interest of 4% per annum, payable semi-annually.

Maturity date: Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Bonds shall be redeemed at 122% of its principal amount on the Maturity Date.

The “**Maturity Date**” shall be the date falling 30 months from the date of issue of the Convertible Bonds.

Ranking: The Convertible Bonds constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

Conversion: The holder of the Convertible Bonds will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares from the date of the issue of the Convertible Bonds to the Maturity Date in amounts of not less than a whole multiple of US\$250,000 on each conversion.

Conversion Price: The Conversion Price is initially HK\$0.50 per Conversion Share, subject to adjustment for, among other matters, subdivision or consolidation of Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events (which are general anti-dilution adjustment).

Voting: The holder(s) of the Convertible Bonds will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the holder(s) of the Convertible Bonds.

Transfer: With the prior written notification to the Company, the Convertible Bonds may be transferable provided that any transfer or assignment of the Convertible Bonds made to any connected person of the Company (as defined under the GEM Listing Rules) shall be subject to compliance with the applicable GEM Listing Rules.

Based on the initial Conversion Price of HK\$0.50 per Conversion Share, a maximum number of 124,800,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 13.75% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.09% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

Conversion Price

The initial Conversion Price of HK\$0.50 per Conversion Share represents:

- (i) a premium of approximately 49.25% over the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on 2 June 2021, being the date of the Placing Agreement; and
- (ii) a premium of approximately 44.51% over the average of the closing prices of HK\$0.346 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 2 June 2021.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.48 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Placing Agent, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors consider that the Conversion Price and the terms and conditions of the Placing Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought from the Shareholders at the EGM.

Conditions of the Placing Agreement

The Placing is conditional upon:

- (a) the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked approval for the listing of, and permission to deal in the Conversion Shares;
- (b) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules in the EGM to be held and convened of resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares;

- (c) the compliance of any other requirements under the GEM Listing Rules and Takeovers Code or otherwise of the Stock Exchange and/or the Securities and Futures Commission which requires compliance in relation to the Placing;
- (d) the passing of the resolution(s) by the Independent Shareholders at the EGM approving the SPV Loan Agreement, the Appointment, the Share Option Deed and the transactions contemplated thereunder; and
- (e) the Placing Agreement not having been terminated in accordance with its terms.

In the event that the conditions of the Placing are not fulfilled on or before 31 August 2021 or such other date as may be agreed between the parties to the Placing Agreement, the Placing Agreement shall cease and determine and neither the Company nor the Placing Agent shall have any obligations and liabilities under the Placing Agreement save for antecedent breaches.

Termination of the Placing Agreement

If at any time on or prior to 5:00 p.m. (Hong Kong time) on the third Business Day after the conditions of the Placing having been fulfilled or waived, where applicable (or such later date as the Company and the Placing Agent may agree in writing) (the “**Closing Date**”):

- (a) in the reasonable opinion of the Placing Agent, the Placing would be materially and adversely affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Company or the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, financial, economic, currency, market or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, affecting local securities markets; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospect of the Company or the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Company or the Group as a whole; or
 - (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or

- (vi) the commencement by any third party of any litigation against any member of the Group which is or might be material to the Company or the Group taken as a whole; or
- (b) any adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing; or
- (c) the announcement or the circular relating to the Placing when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Placing Agreement been publicly announced or published by the Company and which in the reasonable opinion of the Placing Agent is material to the Group as a whole and is likely to affect materially and adversely the success of the Placing; or
- (d) any breach (which is material in the reasonable opinion of the Placing Agent) of any of the representations, warranties and undertakings set out in the Placing Agreement comes to the knowledge of the Placing Agent or there has been a breach (which is material in the reasonable opinion of the Placing Agent) of any other provision of the Placing Agreement,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to 5:00 p.m. (Hong Kong time) on the Closing Date.

Completion of the Placing

Completion of the Placing shall take place within the third Business Days after the conditions have been fulfilled (or, as the case may be, waived by the Placing Agent) (or such later date as the Placing Agent and the Company may agree in writing).

Placing Commission

In consideration of the services of the Placing Agent in connection with the Placing, the Company shall pay the Placing Agent a placing commission of 3.5% of the total principal amount of the Convertible Bonds to be issued under the Placing Agreement.

The Company shall reimburse the legal costs and other out-of-pocket expenses incurred by the Placing Agent in respect of the Placing.

The placing commission was negotiated on an arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate.

The Directors consider that the placing commission is fair and reasonable based on the current market conditions.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

REASONS FOR THE PLACING

The Directors consider to raise funds by issuing Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

On the assumption that all Convertible Bonds having been placed under the Placing, the gross proceeds of the Placing will be approximately HK\$62.4 million. The net proceeds of the Placing of approximately HK\$60.2 million will be applied towards the commitment of the Group under the SPV Loan Agreement.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms and conditions of the Placing Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors also consider that the Placing will strengthen the financial position of the Group.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

GENERAL

As the applicable percentage ratio in respect of the SPV Loan Agreement is more than 25% but is less than 100%, the entering into of the SPV Loan Agreement and the transactions contemplated thereunder constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to, among others, Shareholders' approval at the EGM.

As Mr. Lai will be appointed as an executive Director, the entering into of the SPV Loan Agreement and the transactions contemplated thereunder constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and shall be subject to, among others, Independent Shareholders' approval at the EGM.

As Mr. Lai will be appointed as an executive Director, the entering into of the Share Option Deed and the transactions contemplated thereunder constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and shall be subject to, among others, Independent Shareholders' approval at the EGM.

The Conversion Shares shall be issued under the specific mandate to be sought from the Shareholders at the EGM and the Placing shall be subject to approval of the Shareholders at the EGM.

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in respect of the SPV Loan Agreement, the Appointment, the Share Option Deed and the Placing and the respective transactions contemplated thereunder. The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the SPV Loan Agreement, the Appointment, the Share Option Deed and the Placing and the respective transactions contemplated thereunder (including the specific mandate).

To the best of Directors' knowledge, information and belief having made all reasonable enquiries, other than Mr. Lai, Mr. Man and the SPV, no Shareholders have a material interest in the SPV Loan Agreement, the Appointment, the Share Option Deed and the Placing and the transactions contemplated thereunder and other than Mr. Man, no Shareholder is required to abstain from voting at the EGM. As at the date of this announcement, save for 31,536,000 Shares held by Mr. Man, Mr. Lai, Mr. Man and the SPV and their respective associates did not have interests in Shares of the Company. Mr. Man will abstain from voting at the EGM approving the SPV Loan Agreement, the Appointment and the Share Option Deed and the transactions contemplated thereunder (including the specific mandate).

A circular containing, among other things, (i) details of the SPV Loan Agreement, the Buildout Management Agreement, the Appointment, the Share Option Deed and the Placing Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the SPV Loan Agreement, the Appointment and the Share Option Deed; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 July 2021.

DEFINITIONS

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

“Apollo”	Apollo Asia Management II, L.P.
“Apollo Cellar”	Apollo Cellar Holding Limited, a company incorporated in the Cayman Islands with limited liability
“Appointment”	the appointment of Mr. Lai as executive Director
“associate(s)”	has the meaning ascribed to this term under the GEM Listing Rules

“Board”	the board of Directors
“Buildout Management Agreement”	the buildout management agreement dated 1 June 2021 and entered into between WNT and the JV Project Company
“Call Notice”	the notice(s) to be served by Mr. Lai for the exercise of the Options during the Option Period
“Cloud Knight”	Cloud Knight Global Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Man
“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)
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$0.50 per Conversion Share (subject to adjustments)
“Conversion Shares”	the Shares to be allotted and issued upon conversion of the Convertible Bonds
“Convertible Bonds”	the 4% coupon unlisted convertible bonds in principal amount of up to US\$8,000,000 to be issued by the Company in accordance with the terms of the Placing Agreement
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be held and convened to approve the SPV Loan Agreement, the Appointment, the Share Option Deed and the Placing (including the issue and allotment of the Conversion Shares under specific mandate) and the respective transactions contemplated thereunder
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors

“Independent Shareholders”	Shareholders other than Mr. Lai, Mr. Man and the SPV and their respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons in accordance with the GEM Listing Rules
“JV”	Cloud Treasure Investment Limited, a company incorporated in the British Virgin Islands and the joint venture company owned by Apollo Cellar, the SPV and OpcoHQ
“JV Project Company”	固安福愛電子有限公司 (Gu’an Fu’ai Electronics Co., Ltd [#]), a company established in the PRC and an indirect wholly owned subsidiary of the JV
“Lightning Cloud”	Lightning Cloud Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Lai
“Loan”	the loan in the aggregate principal amount of RMB100,000,000 in its HK\$ equivalent to be advanced by the Company to the SPV under the SPV Loan Agreement
“Mr. Lai”	Mr. Lai Ningning
“Mr. Man”	Mr. Man Lap
“OpcoHQ”	Cellar Operating Holding Limited, a company incorporated in the Cayman Islands with limited liability
“Option Period”	the period of 4 years commencing from the date of fulfillment of conditions precedent set out in the Share Option Deed
“Options”	the 100,000,000 options granted by the Company to Mr. Lai for the allotment and issue of the Subscription Shares on the basis that one Option will entitle the holder thereof to subscribe for one Subscription Share
“Placee”	any individual, institutional or other professional investor procured by the Placing Agent to subscribe any of the Convertible Bonds pursuant to the Placing Agreement
“Placing”	the placing of the Convertible Bonds by the Company, through the Placing Agent, pursuant to the Placing Agreement

“Placing Agent”	Forwin Securities Group Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong, being Independent Third Party
“Placing Agreement”	the conditional placing agreement dated 2 June 2021 and entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China
“Share Option Deed”	the conditional share option deed dated 2 June 2021 entered into between the Company and Mr. Lai in relation to the grant of the Options by the Company to Mr. Lai
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“SPV”	Mega Data Investment Ltd., a company incorporated in the British Virgin Islands with limited liability and the special purpose vehicle company owned as to 50% by Cloud Knight and as to 50% by Lightning Cloud
“SPV Loan Agreement”	the conditional loan agreement dated 2 June 2021 and entered into between the Company as lender and the SPV as borrower
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$35,000,000 in total assuming all 100,000,000 Options are exercised and, equivalent to HK\$0.35 per Subscription Share
“Subscription Shares”	up to a maximum of 100,000,000 new Shares which Mr. Lai shall be entitled to require the Company to allot and issue in exercising the Options
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“WNT”	北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited [#]), a sino-foreign joint venture enterprise established in the PRC and is accounted as a subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“%” per cent.

The English translation of the Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

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

Hong Kong, 2 June 2021

As at the date of this announcement, the Board comprises Mr. Yi Cong, Mr. Liang Xing Jun and Mr. Ma Gary Ming Fai 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, 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.