

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhi Sheng Group Holdings Limited (the “Company”), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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



Financial Adviser to the Company



Capital 9 Limited

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

Nuada Limited

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 2 August 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page ii of this circular for the measures being taken to prevent and control the spread of the COVID-19 at the EGM, including but not limited to:

- (1) Compulsory body temperature check
- (2) Compulsory wearing of surgical face mask
- (3) Maintaining a safe distance between seats
- (4) No provision of refreshments or beverages
- (5) No distribution of coupons for subsequent consumption
- (6) No guest will be allowed to enter the EGM venue if he/she is wearing quarantine wristband issued by the Government of Hong Kong

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the EGM venue.

In light of the continuing risks posed by the COVID-19 and as part of the Company’s control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent guidelines for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect the Shareholders, staff and other stakeholders who attend the EGM from the risk of infection:

- (1) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee. Any person with a body temperature of 37 degrees Celsius or higher may be denied entry into the EGM venue or be required to leave the EGM venue
- (2) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the EGM at all times (please bring your own mask)
- (3) the Company will maintain a safe distance between seats
- (4) there will be no provision of refreshments or beverages at the EGM
- (5) no distribution of coupons for subsequent consumption at the EGM
- (6) no guest will be allowed to enter the EGM venue if he/she is wearing quarantine wristband issued by the Government of Hong Kong

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DEFINITIONS

In this circular, 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

DEFINITIONS

“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 Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the SPV Loan Agreement and the Share Option Deed
“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
“Latest Practicable Date”	13 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“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 circular, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.*

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Yi Cong
Mr. Liang Xing Jun
Mr. Ma Gary Ming Fai

Non-executive Director:

Mr. Luo Guoqiang

Independent non-executive Directors:

Mr. Chan Wing Kit
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

Registered office:

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Principal place of business
in the PRC:*

3/F, 222 Tianren Road
Gaoxin District
Chengdu City
Sichuan Province
The People's Republic of China

*Principal place of business
in Hong Kong:*

Room 747, 7/F, Star House
3 Salisbury Road
Tsim Sha Tsui
Kowloon, Hong Kong

16 July 2021

To the Shareholders

Dear Sir or Madam,

**(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**

INTRODUCTION

Reference is made to the announcement of the Company dated 2 June 2021 in relation to, inter alia, the SPV Loan Agreement, the Buildout Management Agreement, the Appointment, the Share Option Deed and the Placing Agreement.

LETTER FROM THE BOARD

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 purpose of this circular is to provide you with, 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 and the Share Option Deed; and (iv) a notice of the EGM.

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.

LETTER FROM THE BOARD

Man holds 31,536,000 Shares, representing approximately 3.48% of the issued share capital of the Company, 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.

As at the Latest Practicable Date, except for condition (d), none of the conditions precedent have been fulfilled yet and the parties have no intention to waive any of the conditions precedent.

LETTER FROM THE BOARD

Set out below are the principal terms of the Loan:

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

Pursuant to the terms of the SPV Loan Agreement, the Loan shall only be utilised by the SPV for onward capital and other contribution to the JV but not else. The outstanding Loan amount shall at any time not exceeding 30% of the accumulated capital contribution of the SPV to the JV.

Having considered the outstanding Loan amount shall at any time not exceeding 30% of the accumulated capital contribution of the SPV to the JV and the creditability of Mr. Man and Mr. Lai, together with that the entering into the SPV Loan Agreement offers the Group a good business opportunity to have stable interest income and to participate in the data centre business of the JV project by way of provision of the buildout management service, the provision of the Loan to the SPV and the terms of the Loan are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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.

LETTER FROM THE BOARD

The primary asset of the SPV is its interests in the JV. As provided in the SPV Loan Agreement, the outstanding Loan amount shall at any time not exceeding 30% of the accumulated capital contribution of the SPV to the JV. Mr. Man is Co-founder & Managing Partner of Beyond Ventures, a Hong Kong-based venture capital fund established by several serial Hong Kong entrepreneurs together with eGarden Ventures, a technology/media/telecoms-focused venture capital company with an 20-year investment track record in mainland China. For details of background of Mr. Lai, please refer to the section headed “Appointment of Director and entering into of the Share Option Deed” in this letter.

The Company has obtained relevant information in relation to the personal wealth of Mr. Man and Mr. Lai. In respect of the relevant information in relation to the personal wealth of Mr. Man and Mr. Lai, the Company has obtained information including (1) the audited financial statements of China Internet Exchange (北京皓寬網絡科技有限公司), a company established in the PRC and is owned as to approximately 25.6% by Mr. Lai and the audited net assets value of China Internet Exchange as at 31 December 2020, (2) title documents of three properties in Beijing owned by Mr. Lai, (3) evidence showing that Mr. Man’s holding of 31,536,000 Shares in the Company, and (4) evidence showing that the value of a company wholly owned by Mr. Man. The Company further understands that each of Mr. Man and Mr. Lai has other assets. As such, the Company has grounds to believe that their personal wealth would be sufficient to cover the Loan. Based on the relevant investment agreement(s), the value of the JV’s interest held by the SPV would be approximately RMB132,000,000.

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 Latest Practicable Date.

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.

LETTER FROM THE BOARD

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 be involved in the establishment, operation and/or investment in the data centre business in the PRC. As at the Latest Practicable Date, 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 Cellar, (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 Cellar is incorporated in the Cayman Islands and is managed by Apollo which is an indirect wholly-owned affiliate of Apollo Global Management, Inc. (NYSE: APO), 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. 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 Cellar and OpcoHQ and their respective ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Apollo and its 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.

The total budgeted sum of RMB405,600,000 was determined after arm's length negotiations between WNT and the JV Project Company having taken into consideration of the size and the design and development plan of the data centre.

LETTER FROM THE BOARD

Pursuant to the Buildout Management Agreement, WNT shall be responsible for the buildout management services agreement, including but not limited to:

- (1) being responsible for coordination, supervision and participation in the buildout design and technical consultation;
- (2) election and engagement of appropriate execution entities for the design, execution and procurement of the project and procuring the relevant contractors to comply with the terms of engineering standards and timetable in accordance with the contracts;
- (3) being responsible for applying for approval(s) and permit(s) for the project whereas the JV Project Company shall cooperate for obtaining such approval(s) and permit(s);
- (4) determining the budget of the buildout project;
- (5) documentation of relevant documents for the buildout project; and
- (6) cooperation with the management team of the JV Project Company.

On the assumption that all the contractors would enter into contract with WNT directly, the aggregate amount to be received by WNT would be the contractual sum of RMB405,600,000.

Under the terms of the Buildout Management Agreement, all the contracts and engagements to be entered by the JV Project Company and/or WNT in respect of the buildout project shall be subject to prior consultation of WNT and the JV Project Company may not enter into contracts with third party firms and persons without agreement with WNT. As such, WNT can control the costs of the buildout project contemplated under the Buildout Management Agreement. Moreover, if necessary, WNT will adopt tendering and bidding process to ensure that the terms would be best available terms obtainable for the buildout project.

Since WNT will be responsible for design, supervision and implementation of the buildout project together with the above mechanism, together with the experience and expertise of the relevant Group staff, the cost control mechanism mentioned above would be effectively implemented and as a result, the entering into of the Buildout Management Agreement is in the interests of the Company and its Shareholders as a whole.

In respect of timing for completion of buildout under the Buildout Management Agreement, it is expected that buildout works will be divided into two phases, whereas phase 1 will be completed by end of Q4/2022 or mid of Q1/2023. Phase 2 is currently planned to start in Q2/2023 and completed in Q4/2024. The contract sum will be received by WNT based on the percentage of completed works, where as the first contract sum of not less than RMB6 million is expected to be received by July 2021. For the total contractual sum of phase 1 of approximately RMB215.6 million, it is expected to be fully received in or around Q2-Q3/2023, while the contractual sum for phase 2 is expected to be fully received in or around Q1-Q2/2025.

LETTER FROM THE BOARD

WNT's General Manager used to work for Chief Telecom in Taiwan and participated in the construction of the first data centre in Taiwan in 2001. Moreover, Mr. Lai, the proposed executive Director to be appointed, has experience in and participated in the data centre buildout, design, hosting facility procurement, power installation and installation management etc of the data centres of 21Viant Group Inc. and China Internet Exchange, both located in Beijing. As such, the Company considers that WNT has sufficient experience in carrying out the Buildout Management Agreement.

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. It is expected that the Loan will contribute positively to the earnings and assets of the Group for the forthcoming years.

Since WNT will be responsible in buildout works of the data centre under the Buildout Management Agreement, such experience and expertise will form part of track records of the Group and WNT will be able to build up business networks with professional investors, the contractors and suppliers and the Group believe such experience and networks could bring in more business opportunities to further develop its data centre business such as to provide value-added services, installation and maintenance services to other data centres.

The Company has no current intention or plan to acquire any equity interests in the JV and/or the SPV. Further announcement(s) will be made if the Company plans to acquire any equity interests in the JV and/or the SPV.

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

LETTER FROM THE BOARD

reasonable and are in the interests of the Company and the Shareholders as a whole. None of the Directors had any material interest in the SPV Loan Agreement and was required to abstain from voting on the relevant board resolution(s).

APPOINTMENT OF DIRECTOR AND ENTERING INTO OF THE 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 (the "**Non-competition Undertaking**") in favour of the Company.

Pursuant to the Non-competition Undertaking, Mr. Lai will undertake that he shall not and he shall procure his associates not to engage in any Restricted Business unless the Company rejects such business opportunity. "**Restricted Business**" shall mean any business which competes or is likely to compete with the business currently and from time to time engaged by the Group (including but not limited to (i) the manufacture and sale of office furniture products in the PRC; and (ii) the data centre business in the PRC) but excluding Mr. Lai's interests in China Internet Exchange and/or the JV (together as the "**Excluded Companies**") and the relevant subsidiaries of such Excluded Companies. The Company will disclose the compliance of Mr. Lai's compliance with the Non-competition Undertaking in its future annual reports.

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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).

Given that the Share Option Deed would be regarded as a one-man share option scheme, the Company will not appoint a trustee for the Share Option Deed for administration of the Share Option Deed to save administration costs.

The Options shall not confer any voting rights or dividend rights to the holder of the Options and there will be no particular rights arising on liquidation of the Company.

LETTER FROM THE BOARD

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.

The Options can only be exercised during the Option Period. There is no particular performance target that must be achieved before the Options can be exercised. The Options will automatically lapse when Mr. Lai ceases to hold any position within the Group. Any Options which would have not been exercised upon the expiry of the Option Period will be cancelled.

There is no particular provision for termination of the operation of the Share Option Deed before the end of its life save for that any Options which would have not been exercised upon the expiry of the Option Period will be cancelled.

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;
- (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; and
- (iii) a discount of approximately 7.89% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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.

LETTER FROM THE BOARD

The exercise price and/or the number of the Shares subject to the Options will be subject to adjustments if the Company or Mr. Lai considers that an adjustment should be made to the Subscription Price or the whole of the Shares upon the exercise of the Options as a result of the reorganisation of the share capital of the Company or any change in the share capital of the Company (including but not limited to the sub-division or consolidation of the Shares), the Company shall request the auditors or an independent financial adviser to determine (acting as experts) as soon as practicable what adjustment (if any) to the exercise price or the number of the Shares is fair and reasonable to take account thereof, and the date on which such adjustment should take effect and upon such determination.

The Company will observe Rule 23.03(13) of the GEM Listing Rules to ensure that any adjustments required under the Share Option Deed shall comply with Rule 23.03(13) of the GEM Listing Rules to give Mr. Lai the same proportion of the equity capital as that to which Mr. Lai was previously entitled and no adjustments should be made that would increase the aggregate intrinsic value of the outstanding Options. As such, any adjustments shall be subject to confirmation by the auditors and/or the independent financial adviser to ensure that the adjustment mechanism of the Subscription Price and the number of Shares upon exercise of the Options shall be in compliance with Rule 23.03(13) of the GEM Listing Rules.

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 Latest Practicable Date 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.

LETTER FROM THE BOARD

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.

The Options will be issued to Mr. Lai under the specific mandate subject to Independent Shareholders' approval to be sought at the EGM. The Subscription Price represents a premium to the then market price. The Company proposes to issue the Options under the Share Option Deed as Mr. Lai's services fee since Mr. Lai will only receive nominal consideration under the service agreement in relation to his Appointment. The valuation of the 100,000,000 Options under the Share Option Deed based on the Binomial Model and the Share price of HK\$0.335 per Share as at the date of the Share Option Deed would be approximately HK\$18 million. The valuation of the Options is subject to the subjectivity and uncertainty of the value of the Options as a result of a number of assumptions and the limitation of the model.

None of the Directors had any material interest in the Share Option Deed and was required to abstain from voting on the relevant board resolution(s).

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 Placees 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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 Latest Practicable Date; 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;
- (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; and
- (iii) a premium of approximately 31.58% over the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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;

LETTER FROM THE BOARD

- (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

LETTER FROM THE BOARD

- (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).

LETTER FROM THE BOARD

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 Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT ON THE COMPANY'S SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as the Latest Practicable Date; (ii) immediately upon full exercise of the Options (assuming that there is no change in the issued share capital of the Company other than the full exercise of the Options); (iii) immediately upon full conversion of the Convertible Bonds (assuming that there is no change in the issued share capital of the Company other than the full conversion of the Convertible Bonds); and (iv) immediately upon full exercise of the Options and the full conversion of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company):

	As at the Latest Practicable Date		Immediately upon full exercise of the Options (assuming that there is no change in the issued share capital of the Company other than the full exercise of the Options)		Immediately upon full conversion of the Convertible Bonds (assuming that there is no change in the issued share capital of the Company other than the full conversion of the Convertible Bonds)		Immediately upon full exercise of the Options and the full conversion of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Sun Universal Limited (Note 1)	245,300,400	27.04	245,300,400	24.35	245,300,400	23.77	245,300,400	21.67
Brilliant Talent Global Limited (Note 2)	116,580,000	12.85	116,580,000	11.57	116,580,000	11.30	116,580,000	10.30
Mr. Lai	—	—	100,000,000	9.93	—	—	100,000,000	8.83
Mr. Man	31,560,000	3.48	31,560,000	3.13	31,560,000	3.06	31,560,000	2.79
The Placees	—	—	—	—	124,800,000	12.09	124,800,000	11.02
Other public Shareholders	513,892,933	56.63	513,892,933	51.02	513,892,933	49.79	513,892,933	45.39
Total:	907,333,333	100.00	1,007,333,333	100.00	1,032,133,333	100.00	1,132,133,333	100.00

Notes:

1. Sun Universal Limited is wholly owned by Mr. Ma Gary Ming Fai, who is an executive Director.
2. Brilliant Talent Global Limited is wholly owned by Ms. Zhang Gui Hong, the spouse of Mr. Yi Cong, the Chief Executive Officer and an executive Director.

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.

LETTER FROM THE BOARD

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.

EGM

A notice convening the EGM to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 2 August 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. The EGM will be held for the Independent Shareholders 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 Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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 Latest Practicable Date, 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 Placing and the transactions contemplated thereunder (including the specific mandate).

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning, among other things, the SPV Loan Agreement, the Share Option Deed and the Placing and the transactions contemplated thereunder (including the specific

LETTER FROM THE BOARD

mandate) and as to voting; and (ii) 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 and the Share Option Deed. The Directors consider that the terms of the SPV Loan Agreement, the Buildout Management Agreement, the Appointment, the Share Option Deed and the Placing Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the SPV Loan Agreement, the Appointment, the Share Option Deed and the Placing Agreement to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which is prepared for the purpose of inclusion in this circular.

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)

16 July 2021

To the Independent Shareholders

Dear Sir or Madam,

**(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**

We refer to the circular of the Company dated 16 July 2021 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the SPV Loan Agreement, the Appointment and the Share Option Deed and the Placing and the transactions contemplated thereunder (including the specific mandate) are on normal commercial terms and in the ordinary and usual course of business of the Group fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the EGM.

Nuada has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in respect of the SPV Loan Agreement and the Share Option Deed. Details of the advice of Nuada are contained in its letter set out on pages 28 to 48 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the SPV Loan Agreement, the Share Option Deed, the Placing and the transactions contemplated thereunder (including the specific mandate) and the advices from Nuada, we consider that the terms of the SPV Loan Agreement, the Appointment and the Share Option Deed and the Placing and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole and are on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the SPV Loan Agreement, the Appointment and the Share Option Deed and the Placing and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

the Independent Board Committee of
Zhi Sheng Group Holdings Limited

Cao Shao Mu

Independent non-executive Directors

Chan Wing Kit

Kwok Sui Hung

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 16 July 2021 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1606 16/F
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協成行上環中心16樓1606室

16 July 2021

*To the Independent Board Committee
and the Independent Shareholders of
Zhi Sheng Group Holdings Limited*

Dear Sirs,

**(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**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SPV Loan Agreement, the Share Option Deed and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 16 July 2021 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

Provision of financial assistance

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. 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.

Buildout Management Agreement

The JV Project Company, an indirect wholly owned subsidiary of the JV, entered into the Buildout Management Agreement dated 1 June 2021 with WNT, a sino-foreign joint venture enterprise which is accounted as a subsidiary of the Company. 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.

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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Placing of Convertible Bonds

On 2 June 2021, 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 Independent Board Committee has been established to consider the terms of the SPV Loan Agreement, the Appointment, the Share Option Deed and the Placing and the transactions contemplated thereunder (including the specific mandate), and to advise the Independent Shareholders as to whether the terms of the SPV Loan Agreement, the Appointment, the Share Option Deed and the Placing and the transactions contemplated thereunder (including the specific mandate) are fair and reasonable so far as the Independent Shareholders are concerned. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the SPV Loan Agreement and the Share Option Deed and the transactions contemplated thereunder are fair and reasonable.

During the past two years, we did not act as the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangement, including contingent fee or conditional fee, exists whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or its substantial Shareholders, Directors or chief executive, or any of their respective associates. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our review and analysis were based upon, among other things, including this circular, the SPV Loan Agreement, the Buildout Management Agreement, the Share Option Deed, the Placing Agreement, the annual report (the “**AR 2020**”) of the Company for the year ended 31 December 2020 (“**FY2020**”), the 1st quarterly report (the “**1Q Report**”) of the Company for the three-month period ended 31 March 2021 (“**FP2021**”) and the website of the Stock Exchange.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

(a) Financial information of the Group

According to the Management and the Board Letter, the Group is principally engaged in (i) the manufacture and sale of office furniture products (the “**Furniture Business Segment**”) in the PRC; and (ii) the data centre business (the “**Data Centre Business Segment**”) in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the summary of the financial information of the Group for the years ended 31 December 2019 (“**FY2019**”) and FY2020 as extracted from the AR 2020, and two three-month periods ended 31 March 2020 (“**FP2020**”) and FP2021 as extracted from the 1Q Report:

Table 1: Consolidated income statement of the Group

	For the three months ended 31 March 2020	For the three months ended 31 March 2021	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(audited)	(audited)
Revenue	16,016	14,467	48,610	82,419
— Sale of office furniture products	10,782	8,012	48,610	57,692
— Data centre business	5,234	6,455	—	24,727
Gross profit	3,421	1,271	10,713	5,891
— Other income	727	361	905	3,808
— Selling and distribution expenses	(1,982)	(1,712)	(8,645)	(8,675)
— Administrative and other expenses	(5,663)	(3,658)	(17,989)	(22,589)
— Finance costs	(952)	(669)	(130)	(4,576)
Loss for the year/ period attributable to the owners of the Company	(4,990)	(5,345)	(16,471)	(26,953)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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Table 2: Consolidated statement of financial position of the Group

	As at 31 December 2019	As at 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Current assets	<u>123,154</u>	<u>141,707</u>
— Financial assets at fair value through profit or loss	4,115	—
— Trade, lease and other receivables	44,917	58,820
— Cash and cash equivalents	<u>49,079</u>	<u>64,552</u>
Non-current assets	<u>67,563</u>	<u>123,590</u>
— Property, plant and equipment	51,570	46,899
— Right-of-use assets	15,993	37,613
— Intangible assets	—	8,251
— Goodwill	<u>—</u>	<u>30,827</u>
Total assets	<u>190,717</u>	<u>265,297</u>
Current liabilities	<u>15,990</u>	<u>68,901</u>
— Trade and other payables	11,279	21,156
— Bank borrowing	—	30,000
— Lease liabilities	<u>901</u>	<u>14,861</u>
Non-current liabilities	<u>6,350</u>	<u>24,173</u>
— Lease liabilities	1,131	10,088
— Convertible bonds	<u>—</u>	<u>7,041</u>
Total liabilities	<u>22,340</u>	<u>93,074</u>
Total equity	<u><u>168,377</u></u>	<u><u>172,223</u></u>

For FY2020

The Group recorded revenue of approximately RMB82.42 million for FY2020, which represents an increase of approximately 69.55% as compared to approximately RMB48.61 million for FY2019. According to the AR 2020, such significant increase

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

was mainly attributable to the increase in revenue generated from the newly acquired data centre business of the Group upon completion of the acquisition of entire issue share capital of Polyqueue Limited (“**Polyqueue**”) in January 2020 (“**Polyqueue Acquisition**”) (details of which are set out in the Company’s announcement dated 15 January 2020) and its financial results were consolidated into the Group’s consolidated financial statements and generated revenue of approximately RMB24.73 million in FY2020. The gross profit margin of the Group has decreased from approximately 22.04% in FY2019 to approximately 7.15% for FY2020. According to the Management and the AR 2020, the decrease in gross profit margin of Furniture Business Segment was mainly due to the operation strategy for the Furniture Business Segment that lowering the gross profit of the furniture products in order to enhance its competitiveness. Meanwhile, due to the spread of novel coronavirus epidemic during FY2020, the Group has secured more orders at lower product prices to maintain effective operations, and the losses in inventories disposal and the provision for inventory losses increased. Furthermore, the Group amortised the intangible assets of approximately RMB5.4 million arising from the Polyqueue Acquisition was also reflected in the cost of sales, which further lowered the Group’s gross profit margin.

The Group recorded a net loss of approximately RMB26.95 million for FY2020 as compared with that of approximately RMB16.47 million for FY2019. According to the Management and the AR 2020, the substantial increase in loss was mainly attributable to (i) the Group reduced the gross profit of furniture items as mentioned above; and (ii) administrative and other expenses and finance costs for the year increased by approximately RMB4.60 million and RMB4.45 million respectively as compared to the same period in FY2019. Apart from the amortisation expense of intangible assets of approximately RMB5.4 million as stated above, the Data Centre Business Segment has contributed approximately RMB1.7 million to the Group’s profit before income tax and offsetting part of the increase in the Group’s loss due to the decrease in revenue and gross profit of the Furniture Business Segment for the same period.

As at 31 December 2020, the cash and cash equivalents of the Group were approximately RMB64.55 million as compared to approximately RMB49.08 million as at 31 December 2019. The current assets recorded slight increase from approximately RMB123.15 million as at 31 December 2019 to approximately RMB141.71 million as at 31 December 2020. The non-current assets of the Group as at 31 December 2020 was approximately RMB123.59 million, increased from approximately RMB67.56 million as at 31 December 2019, which was mainly due to (i) the right-of-use assets increased from approximately RMB15.99 million to approximately RMB37.61 million as at 31 December 2020; (ii) the Group recorded intangible asset of approximately RMB8.25 million as at 31 December 2020 (i.e. as at 31 December 2019: nil); and (iii) the Group recorded goodwill of approximately RMB30.83 million as at 31 December 2020 (i.e. as at 31 December 2019: nil).

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The total liabilities of the Group increased from approximately RMB22.34 million as at 31 December 2019 to approximately RMB93.07 million as at 31 December 2020. With reference to note 34 of the notes to the consolidated financial statements from the AR 2020, the lease liabilities of approximately RMB36.34 million has been arising from the Polyqueue Acquisition. With reference to note 26 of the notes to the consolidated financial statements from the AR 2020, as at 31 December 2020, the Group's has a bank borrowing of RMB30.0 million which is repayable in six months and interest bearing at 5.65% per annum as compared to nil bank borrowing as at 31 December 2019. Based on the above, the current liabilities of the Group increased from approximately RMB15.99 million as at 31 December 2019 to approximately RMB68.90 million as at 31 December 2020. The Group also recorded increase of non-current liabilities from approximately RMB6.35 million as at 31 December 2019 to approximately RMB24.17 million as at 31 December 2020 mainly due to (i) the lease liabilities occurred from the Polyqueue Acquisition as mentioned above; and (ii) the zero coupon convertible bonds issued by the Company for the Polyqueue Acquisition. Based on the above, the total equity of the Group slightly increased from approximately RMB168.38 million as at 31 December 2019 to approximately RMB172.22 million as at 31 December 2020.

For FP2021

The Group recorded revenue of approximately RMB14.47 million for FP2021, which represents a decrease of approximately 9.68% as compared to approximately RMB16.02 million for same period in previous year. According to the 1Q Report, such decrease was attributable to the decrease in revenue generated from the Furniture Business Segment due to the spread of the novel coronavirus epidemic as the majority of potential customers were cautious in purchasing or postponing the replacement of furniture products, resulting in fewer new sales orders being signed, thus affecting product deliveries and revenue during the FP2021. On the other hand, the revenue attributed from the Data Centre Business Segment increased from approximately RMB5.23 million for FP2020 to approximately RMB6.46 million for FP2021, which represents an increase of approximately 23.52% for the aforesaid period. According to the Management and 1Q Report, as the income from the Data Centre Business Segment is mainly generated from the rental income from server rack rentals and the signed rental contracts involve continuity before expiration, the income from the Data Centre Business Segment is more stable. Apart from the server racks rentals, the Company also recorded income from the provision of information technology management services in the Data Centre Business Segment of approximately RMB1.0 million for FP2021 (nil for FP2020). Apart from the amortisation expense of intangible assets of approximately RMB1.4 million, the Data Centre Business Segment has contributed approximately RMB1.0 million to the Group's profit before income tax and offsetting part of the increase in the Group's loss due to the decrease in revenue and gross profit of the Furniture Business Segment for the same period.

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Based on the above, we are of the view and concur with the view of the Management that the diversification of Group's business, i.e. Data Centre Business Segment, can enhance the Group's revenue and can withstand market fluctuations at different stages of the business and economic cycle such as the novel coronavirus epidemic.

(b) Business of the Group

As stated above, the existing principal business of the Group is the Furniture Business Segment in the PRC; and (ii) the Data Centre Business Segment in the PRC.

According to the Management and 1Q Report, in order to withstand market fluctuations at different stages of the business and economic cycle, the Group would expand the scale of Data Centre Business Segment. The Management expected that the area in service of the Group's data centre would increase from less than 1,000 square meters currently to more than 150,000 square metre within three years.

Since the development of data centre is capital intensive, the Group will mainly take a management role with responsibilities including planning and sourcing of new data centres and development of sites etc. Therefore, we are of the view and concur with the view of the Management that the entering of the Buildout Management Agreement is in line with the Company's existing business strategy.

2. Reasons for entering the SPV Loan Agreement

According to the Management and the Board Letter, the entering into the SPV Loan Agreement offers the Group a good business opportunity to have stable interest income.

According to the SPV Loan Agreement and the Board Letter, the Loan shall be utilised by the SPV for onward capital and other contribution to the JV which will involve in the establishment, operation and/or investment in data centre business in the PRC.

The JV Project Company, an indirect wholly owned subsidiary of the JV, entered into the Buildout Management Agreement with WNT under which WNT will provide engineering and management service in respect of the buildout works in accordance with the terms of the Buildout Management Agreement. We are of the view and concur with the view of the Management that such experience will form part of track records of WNT and the Group. Through the entering of the Buildout Management Agreement and the provision of buildout management services, the Group will be able to build up business networks with professional investors, contractors and suppliers and such experience and networks could bring in more business opportunities to further develop Data Centre Business Segment such as to provide buildout management service, installation and maintenance services to other data centres, in addition to the existing service that WNT provides. Based on the above, we are of the view and concur with the view of the Management that the entering of the Buildout Management Agreement is in line with the Company's existing business strategy to develop the Data Centre Business Segment.

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The total budget contract sums of the buildout works of the data centre (the “**Hebei 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, the Management expects that the first stage of the buildout works with an expected contract sum of approximately RMB215,600,000 will be completed by mid of the first quarter of 2023 and will enhance the revenue source of the Group (details of the Buildout Management Agreement please refer to the paragraph headed “Buildout Management Agreement” in the Board Letter).

Since the Loan is used for building of the data centre in the PRC, we studied the relevant government policy regarding the development of data centre in the PRC. National Development and Reform Commission (中國國家發展和改革委員會) (“**NDRC**”) issued the “Collaborative & Innovation of Integrated Big Data Centre System Implementation Plan”* (全國一體化大數據中心協同創新體系算力樞紐實施方案) (https://www.ndrc.gov.cn/xxgk/zcfb/tz/202105/t20210526_1280838.html) in May 2021. NDRC revealed that followed by the technology development, progress of digital transformation of different industries and rapid application of fifth generation technology standard of broadband cellular networks, the demand of data storage, data computing has increased immensely. NDRC emphasized the need to promote the coordination and integrated development of data centres in PRC and maintain and regulate the steady progress of the development of data centre industry in order to create advanced computing power technologies and efficient data circulation. NDRC also suggested that the PRC official authorities would implement other policies regarding such as land, internet network, energy and electricity supply to maintain the data centres development in PRC. Based on the above, we are of the view and concur with the view of the Management that the outlook of the development of the data centre industry in PRC is positive.

Taking into account (i) the entering of the Buildout Management Agreement can diversify the revenue base of the Company which is in line with the Company’s existing business strategy as stated in this paragraph and the paragraph headed “1. Background information of the Group” above; (ii) the outlook of the data centre industry in PRC as stated above; (iii) the terms of the SPV Loan Agreement is fair and reasonable as stated below; (iv) the entering of the Buildout Management Agreement can enhance the revenue source of the Company as stated above; and (v) the terms of the Placing Agreement is fair and reasonable as stated below, we are of the view and concur with the view of the Management that the entering of SPV Loan Agreement is fair and reasonable.

3. The SPV Loan Agreement

Please refer to paragraph headed “the SPV Loan Agreement” in the Board Letter for the detail terms of the SPV Loan Agreement.

Set out below are the principal terms of the Loans:

Principal: Up to RMB100,000,000

According to the Management, the unaudited cash and cash equivalents of the Group was approximately RMB20.9 million as at 31 May 2021 after the repayment of bank loan of approximately RMB30.0 million in January of this year as stated in the 1Q Report.

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Therefore, the Company entered the Placing Agreement with the Placing Agent to place the Convertible Bonds to Placees (who will be independent individual, corporate and/or institutional investors) to subscribe in cash of up to an aggregate principal amount of US\$8,000,000. Since one of the conditions precedent of the SPV Loan Agreement is the completion of the Placing and availability of the financial resources of the Company, the Company shall have sufficient funding to fulfil the obligation of the tranche 1 of the Loan.

As 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) and subject to, among others, availability of the financial resources of the Company, the Company can consider whether to provide the tranche 2 of the Loan to the SPV based on the availability of the Group's financial resources at that moment of time.

Based on the aforesaid, we are of the view and concur with the view of the Management that the amount of Loan is justifiable.

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

In order to assess whether the terms of the SPV Loan Agreement are fair and reasonable, we carried out a comparable analysis of other financial assistance (the “**Loan Comparable(s)**”) provided by companies listed on the Stock Exchange, based on the criteria that (i) they were announced during the three-month period ended 2 June 2021 (the “**Review Period**”), being the date of the SPV Loan Agreement in order to understand the recent market condition; and (ii) these financial assistance were provided to their respective connected person(s). We determined the length of the Review Period based on two major factors: (i) the Review Period has to be close to the date of SPV Loan Agreement such that the Loan Comparables are under similar and recent market conditions and sentiment; and (ii) the number of samples covered in the Review Period has to be sufficient such that the average figures calculated are representative and not significantly affected by any individual Loan Comparables and we identified an exhaustive list of six Loan Comparables.

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We are of the view that the Loan Comparables set out below can provide the Independent Shareholders or potential investors of the Company a reference with regard to the general trend and data of other financial assistance provided by the companies listed on the Stock Exchange. While the listed companies of the Loan Comparables may be engaged in different businesses and have different financial performances than the Company, we have set specific criteria as stated above to select Loan Comparables which are more relevant to the SPV Loan Agreement, i.e. (i) the length of Review Period to be recent enough with sufficient number of samples; and (ii) these financial assistance were provided to the Loan Comparables' respective connected person(s). Accordingly, we are of the view that the Loan Comparables are meaningful, fair and representative for reflecting the market practice regarding financial assistance provided by companies listed on the Stock Exchange to their connected persons in the recent period. Details of the Loan Comparables are set out in the table below:

Table 3: Loan Comparables

No.	Date of initial announcement	Stock code	Name of company	Principal amount (Note 1) (million)	Interest rate per annum (%)	Terms of the financial assistance (years)
1	26 March 2021	950	Lee's Pharmaceutical Holdings Limited	USD2.0	4.0	1
2	16 April 2021	400	Cogobuy Group	RMB90.0	6.0	3
3	28 April 2021	950	Lee's Pharmaceutical Holdings Limited	HK\$10.0	4.0	1
4	29 April 2021	3300	China Glass Holdings Limited	USD2.2	7.0	1
5	28 May 2021	950	Lee's Pharmaceutical Holdings Limited	USD3.0	4.0	1
6	1 June 2021	261	GBA Holdings Limited	HK\$70.0	7.0	2
			Mean		5.3	
			Max		7.0	
			Min		4.0	
			The Company		<u>6.0</u>	

As shown from the table above, the interest rates of the Loan Comparables ranged from 4.0% to 7.0% per annum with the mean interest rate of approximately 5.3%. As the interest rate of the SPV Loan Agreement is higher than the mean of the Loan Comparables, we are of the view that the interest rate of the SPV Loan Agreement is fair and reasonable.

Term:

As the outstanding amount of Loan shall at any time not exceeding 30% of the accumulated capital contribution of the SPV to the JV, we are of the view and concur with the view of the Management that it can avoid the situation that the SPV heavily rely on the Loan for the fulfilment of its obligation regarding the capital contribution of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

SPV to the JV. So that the shareholders of the SPV, i.e. Mr. Man and Mr. Lai, also have to provide their funding, other than the Loan, for capital contribution of the SPV to the JV.

The usage of the Loan is restricted as the Loan shall be utilised by the SPV onward capital and other contribution to the JV which can avoid the usage of Loan in unauthorised area. We are of the view and concur with the view of the Management that the aforesaid term can protect the Company.

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

As the outstanding amount of Loan shall at any time not exceeding 30% of the accumulated capital contribution of the SPV to the JV as stated above and 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, one dollar value of Loan amount is back up by approximately 2.3 dollar value of capital contributed by fund, other than the Loan, provided by the shareholders to the SPV. For illustration purpose only, if the SPV insist to borrow HK\$55,000,000, i.e. the minimum amount of the tranche 1 of the Loan, the SPV has to agree to contribute approximately HK\$183,333,333 to the JV.

Since personal guarantees to be executed by each of Mr. Man and Mr. Lai in favour of the Company for the Loan, we also study the asset statement of each of Mr. Man and Mr. Lai which include properties in Beijing and shares of private companies and private funds and noted that the aggregate amount of the value of the properties (the Company compared the latest transactions around the properties within the one month period before the signing of the SPV Loan Agreement) and the dollar value of the shares of private companies and private funds (based on their latest financial information or investment cost) is more than the principal amount of the Loan, i.e. RMB100,000,000.

Based on the above, we are of the view and concur with the view of the Management that the value of the collateral is enough to cover the principal amount of the Loan in case the SPV cannot repay the outstanding amount of the Loan on schedule.

Funding of the Loan

According to the Management and Board Letter, the Group will finance the Loan with its internal resources, the proceeds from the Placing and/or equity/debt financing.

Therefore, we study the terms of the Placing Agreement to consider whether it is fair and reasonable.

In order to assess the fairness and reasonableness of the terms of the Convertible Bonds, we have searched for relevant convertible bonds/notes issued by other companies listed on the Stock Exchange (the “**CB/CN Comparable(s)**”) based on the criteria that (i)

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they were announced during the Review Period in order to understand the recent market condition; and (ii) the subscribers who subscribed the convertible bonds/notes are third parties independent from the CB/CN Comparables. We determined the length of the Review Period based on two major factors: (i) the review period has to be close to the date of Placing Agreement such that the CB/CN Comparables are under similar and recent market conditions and sentiment; and (ii) the number of samples covered in the Review Period has to be sufficient such that the average figures calculated are representative and not significantly affected by any individual CB/CN Comparables and we identified an exhaustive list of 17 CB/CN Comparables.

We are of the view that the CB/CN Comparables set out below can provide the Independent Shareholders or potential investors of the Company a reference with regard to the general trend and data of other convertible bonds/notes issued by other companies listed on the Stock Exchange. While the listed companies of the CB/CN Comparables may be engaged in different businesses and have different financial performances than the Company, we have set specific criteria as stated above to select CB/CN Comparables which are more relevant to the Placing Agreement, i.e. (i) the length of Review Period to be recent enough with sufficient number of samples; and (ii) the subscribers who subscribed the convertible bonds/notes are third parties independent from the CB/CN Comparables. Accordingly, we are of the view that the CB/CN Comparables are meaningful, fair and representative for reflecting the market practice regarding convertible bonds/notes issued by other companies listed on the Stock Exchange in the recent period. Details of the CB/CN Comparables are set out in the table below:

Table 4: CB/CN Comparables

No.	Date of initial announcement	Stock code	Name of company	Principal amount (Note 1) (million) (Approximate)	Premium of conversion price over closing price per share on the last trading day prior to/on the date of respective announcements in relation to the respective convertible bonds/notes (Note 1) (%)	Premium/ (discount) of the initial conversion price over/(to) the total equity of the respective companies per issued share of the respective companies (Note 2) (%)	Interest rate per annum (Note 1) (%)	Premium of redeem amount over outstanding principal amount of respective convertible bonds/notes on the respective maturity date (%)	Commission (%)
1	8 March 2021	126	Carrianna Group Holdings Company Limited	HK\$75.4	20.00	(79.7)	3.0	Nil	1.0
2	25 March 2021	1071	Huadian Power International Corporation Limited	RMB1,470.2	160.0	(91.6)	2.7	4.0	NA (Note 4)
3	31 March 2021	2400	XD Inc.	US\$280	35.0	822.9	1.25	Nil	NA (Note 4)
4	1 April 2021	653	Bonjour Holdings Limited	HK\$129.5	Nil	284.7	8.0	Nil	NA (Note 4)
5	15 April 2021	2221	New Concepts Holdings Limited	HK\$16.8	Nil	(5.3)	6.0	Nil	NA (Note 4)

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No.	Date of initial announcement	Stock code	Name of company	Principal amount (Note 1) (million) (Approximate)	Premium of conversion price over closing price per share on the last trading day prior to/on the date of respective announcements in relation to the respective issuance of convertible bonds/notes (Note 1) (%)	Premium/(discount) of the initial conversion price over/(to) the total equity of the respective companies per issued share of the respective companies (Note 2) (%)	Interest rate per annum (Note 1) (%)	Premium of redeem amount over outstanding principal amount of respective convertible bonds/notes on the respective maturity date (%)	Commission (%)
6	18 April 2021	8228	National Arts Entertainment and Culture Group Limited	HK\$25.0	66.7	18.1	4.0	Nil	NA (Note 4)
7	20 April 2021	3690	Meituan	USD1,483.6	49.1	2,048.4	Nil	Nil	NA (Note 4)
8	20 April 2021	3690	Meituan	USD1,500.0	49.1	2,048.4	Nil	1.80	NA (Note 4)
9	26 April 2021	8109	Kirin Group Holdings Limited	HK\$14.3	3.3	509.4	2.0	Nil	NA (Note 4)
10	28 April 2021	2371	China Chuanglian Education Financial Group Limited	HK\$90.0	5.04	66.9	3.5	Nil	0.1
11	12 May 2021	1586	Chine Leon Inspection Holding Limited	HK\$50.0	5.16	96.1	2.0	30.0	NA (Note 4)
12	25 May 2021	6098	Country Garden Services Holdings Company Limited	HK\$5,038.0	22.21	1,367.2	Nil	Nil	NA (Note 4)
13	25 May 2021	2013	Weimob Inc.	USD300.0	30.80	3,024.7	Nil	5.11	NA (Note 4)
14	27 May 2021	3360	Far East Horizon Limited	USD250.0	14.87	(25.9)	Nil	10.46	NA (Note 4)
15	31 May 2021	8111	China Technology Industry Group Limited	HK\$32.0	461.80	1,110.1	Nil	Nil	NA (Note 4)
16	31 May 2021	2882	Hong Kong Resources Holdings Company Limited	HK\$84.5	10.17	NA (Note 3)	4%	Nil	NA (Note 4)
17	2 June 2021	853	MicroPort Scientific Corporation	USD700.0	32.50	1,459.4%	Nil	5.11	NA (Note 4)
				Mean	69.63	790.9	2.14	2.93	
				Minimum	Nil	(91.6)	Nil	Nil	
				Maximum	461.80	3,024.7	8.00	30.0	
				The Company	49.25	117.7	4.0	22%	

Source: The official website of the Stock Exchange (www.hkex.com.hk)

Notes:

- The relevant figures of the CB/CN Comparables are refer to the figures as disclosed in the respective announcements regarding their issuance of convertible bonds/notes.
- These figures are calculated based on (i) respective total equity of the respective companies as disclosed in the respective latest annual/interim reports of the CB/CN Comparables before their initial announcements regarding issue of convertible bonds/notes; (ii) the number of issued shares of the CB/CN Comparables as disclosed in their monthly return as at the date of the abovementioned respective annual/interim reports; and (iii) the respective conversion prices as disclosed in their initial announcements regarding issue of convertible bonds/notes.

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3. According to the interim report of Hong Kong Resources Holdings Company Limited for the six months ended 31 December 2020, they have recorded net liabilities for the six months ended 31 December 2020.
4. The information of commission rate of these CB/CN Comparables were not disclosed in the respective announcements.

As shown in the above table, the conversion prices of the CB/CN Comparables ranged from a premium rate from the lowest of nil to a premium rate to the highest of 461.80% to the respective closing prices of the shares (“**CB/CN Comparables Premium Range**”), with a mean premium rate of approximately 69.63%. The premium rate represented by the Conversion Price to the closing price per Share on the date of the Placing Agreement (i.e. approximately 49.25%) is within the CB/CN Comparables Premium Range. The interest rates of the CB/CN Comparables ranged from nil to the highest of 8.00% per annum, with a mean interest rate of approximately 2.14% per annum. The interest rate of the Convertible Bonds (i.e. 4.0% per annum) is within the range and slightly higher than the mean interest rate of CB/CN Comparables Premium Range of approximately 2.14% per annum.

According to the terms of the Placing Agreement, unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Bonds shall be redeemed at a premium of 22.0% of its principal amount on the Maturity Date. With reference to the above table, the premium rate of redemption amount at maturity of CB/CN Comparables ranged from nil to a premium of 30.0% with a mean premium rate of approximately 2.93%, which the premium rate of the redemption amount of the Convertible Bonds at maturity is within the range of the CB/CN Comparables.

We also noted that except CB/CN Comparable no. 16 that had recorded net liabilities before its announcement of issuance of convertible bonds, the conversion price of the CB/CN Comparables represented a premium of approximately 3,024.7% to a discount of approximately 91.6% to their respective total equity per share, with a mean premium rate of approximately 790.9%. The Conversion Price represented a premium of approximately 117.7% over the total equity per Share as at 31 December 2020 (i.e. approximately HK\$0.23) is within the range of that of the CB/CN Comparables. Based on the above, we are of the view that the terms of the Placing Agreement is fair and reasonable.

Since the Group will finance the Loan with its internal resources and the proceeds from the Placing as stated above, apart from perform analysis on the interest rate of the SPV Loan Agreement and the terms of the Placing Agreement as stated above, we also analyse the cost and profit comparison of the SPV Loan Agreement and the Placing Agreement by comparing the (i) the interest income from Loan; and (ii) the aggregate of the interest expense, the placing commission and the redemption cost of the Convertible Bonds.

For the SPV Loan Agreement:

Principal amount: up to RMB100.0 million

Interest rate: 6% per annum

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Repayment: 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

For the Placing Agreement:

Principal amount: up to US\$8.0 million (equivalent to approximately RMB51.2 million)

Maturity date: 30 months from the date of issue of the Convertible Bonds

Placing commission expense: 3.5%

Interest expense: 4% per annum

Expense for redemption unless previously redeemed, repurchased and cancelled or converted and assuming the outstanding principal amount is still be US\$8,000,000 at maturity (equivalent to approximately RMB51.2 million): approximately RMB11.3 million

Based on the above, for illustration purpose, we estimated the maximum nominal gain/cost for entering the SPV Loan Agreement and the Placing Agreement for the Company.

Scenario 1 (Maximum interest income from the Loan and the holders of the Convertible Bonds fully convert the Convertible Bond immediately before the Maturity Date):

The Company would have a nominal gain of approximately RMB8.1 million in total (i.e. maximum interest income of approximately RMB15.0 million (RMB100.0 million X 6% X 2.5 years) minus minimum cost of the issue of the Convertible Bonds of approximately RMB6.9 million (RMB51.2 million X 3.5% plus RMB51.2 million X 4% X 2.5 years)) or approximately RMB3.24 million per year for 2.5 years.

Scenario 2 (Minimum interest income from the Loan and the holders of the Convertible Bonds do not convert any of the Convertible Bond immediately before the Maturity Date):

The Company would have a nominal cost of approximately RMB11.4 million in total (i.e. minimum interest income of approximately RMB6.8 million (RMB45.5 million X 6% X 2.5 years) minus maximum cost of the issue of the Convertible Bonds of approximately RMB18.2 million (RMB51.2 million X 3.5% plus RMB51.2 million X 4% X 2.5 years plus RMB51.2 million X 22%)) or approximately RMB4.6 million per year for 2.5 years.

Although there is a possibility that the nominal cost of approximately RMB11.4 million in total or approximately RMB4.6 million per year for 2.5 years for the Company as stated above, we are of the view that as (i) the entering of the Buildout Management Agreement is in line with the Company's existing business strategy as stated in paragraphs headed "1. Background information of the Group" and "2. Reasons for

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entering the SPV Loan Agreement” above, (ii) the entering of the Buildout Management Agreement can enhance the revenue source of the Company with potential total budget contract sums of the buildout works of approximately RMB405,600,000 as stated in paragraph headed “2. Reasons for entering the SPV Loan Agreement” above; (iii) the terms of the SPV Loan Agreement is fair and reasonable as stated in this paragraph; and (iv) the terms of the Placing Agreement is fair and reasonable as stated in this paragraph above, we are of the view that entering of the SPV Loan Agreement is fair and reasonable.

Based on our analysis as stated above, we are of view and concur with the view of the Management that the terms of the SPV Loan Agreement is fair and reasonable.

4. The Appointment and the Share Option Deed

On 2 June 2021, Mr. Lai entered into the conditional Share Option Deed with the Company. Details of which please refer to the paragraph headed “Appointment of Director and entering into of the Share Option Deed” in the Board Letter.

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.

With reference to the Board Letter, 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. Given the academic background and the working experience of Mr. Lai, we are of the view and concur with the view of Management that the Appointment can strengthen the Company in the areas of knowledges and marketing condition in relation to the Data Centre Business Segment and the entering of Share Option Deed can provide working incentive for Mr. Lai for the future development of Data Centre Business Segment.

Having considered (i) the Options shall not be assignable or transferrable by Mr. Lai and may only be exercisable by Mr. Lai himself unless otherwise with prior written consent of the Company; (ii) the subscription price per Subscription Share represents 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 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; and (iii) the possible financial effect to the Company set out under the paragraph headed “7. Possible financial effect of the SPV Loan Agreement, the Placing Agreement and the Share Option Deed”, we are of the view and concur with the view of Management that the terms of the Share Option Deed is fair and reasonable.

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5. Dilution effect of the issue of the Conversion Shares and the Subscription Shares

Details of changes of shareholding structure as a result of the conversion of the Convertible Bonds and exercise of the Options are set out under paragraph headed “Effect on the Company’s shareholding structure” in the Board Letter.

As set out in the Board Letter, the shareholding of the public Shareholders (except Mr. Lai, Mr. Man and the Placees) will be diluted from the current level of approximately 56.63% to (i) approximately 51.02% upon full exercise of the Options and assuming there is no change in the issued share capital of the Company other than the full exercise of the Options; (ii) approximately 49.79% upon full conversion of the Convertible Bonds and assuming there is no change in the issued share capital of the Company other than the full conversion of the Convertible Bonds; or (iii) approximately 45.39% upon full exercise of the Options and the full conversion of the Convertible Bonds and assuming there is no other change in the issued share capital of the Company.

Having considered (i) the above mentioned dilution effect is for illustration purpose only and the allotment and issue of the Conversion Shares will not result in a change of control of the Company; (ii) the proceeds from the Placing will be used for the Loan as mentioned above as mentioned under the paragraph headed “3. The SPV Loan Agreement” as stated above; (iii) the terms of the Placing Agreement are fair and reasonable as mentioned under the paragraph headed “3. The SPV Loan Agreement” above; (iv) to issue of Convertible Bond is in the interests of the Company and the Shareholders as a whole as stated under the paragraph headed “6. Other financing alternative method” below in this letter; and (v) the terms of the Share Option Deed are fair and reasonable as mentioned under the paragraph headed “4. The Appointment and the Share Option Deed” above in this letter, we are of the view that the aforesaid level of dilution to the shareholding interest of the public Shareholders is acceptable.

6. Other financing alternative method

As discussed with the Management, we note that the Board has considered alternative fund raising methods before entering into the Placing Agreement. We noted from the Management that they have not approached financial institutions for debt financing since the Management is of the view that debt financing would require collateral and the Management expect that the Company may need to fully pledge the fixed assets of the Group (i.e. property, plant and equipment of approximately RMB46.9 million as at 31 December 2020) to obtain the proceeds from debt financing equal to the proceeds from Placing Agreement (i.e. US\$8 million or approximately RMB51.2 million), that the Placing Agreement is unsecured.

In addition to debt financing, we understand that the Board had considered to conduct equity financing such as rights issue or open offer exercise as it is offered to all Shareholders to participate on a pro-rata basis or private placement. However, given the size of fund raising, having considered (i) the Conversion Price (i.e. HK\$0.50) represents a premium of approximately 49.25% over the closing price of Share on the date of the Placing Agreement (i.e. HK\$0.335), the Board is of the view that it is impossible to conduct and attract shareholders to participate into rights issue or open offer or attract investors to subscribe under private placement if the issue price is going to be same as the Conversion Price; and (ii) if the Company conducts rights issue or open offer or private placement assuming that the issue price

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is similar to the closing price of Share on the date of the Agreements, the Company would need to issue larger number of new Shares to raise the funding size equal to that of the proceeds from Placing Agreement and the potential dilution effect to the public Shareholders will be higher than the potential dilution effect of the issue of Conversion Shares (for illustration purpose only, given the same size of fund raising, i.e. US\$8.0 million or approximately HK\$62.08 million) the number of new Shares to be issued at the issue price of HK\$0.335 per new Share, being the closing price of Share as at the date of the Placing Agreement, would be 185,313,433, whereas the number of Conversion Shares is 124,800,000). Furthermore, the Management has not received concrete reply from another placing agent that they approached for private placement before entering into the Placing Agreement. Based on the above, we are of the view and concur with the view of the Management that placing of Convertible Bonds method is fair and reasonable.

Despite the potential dilution effect may occur upon issue of Conversion Shares as mentioned under the paragraph headed “5. Dilution effect of the issue of the Conversion Shares and the Subscription Shares” above in this letter, having considered that (i) debt financing may require the Group to fully pledge the fixed assets and the Placing Agreement is unsecured; and (ii) equity financing methods such as placing of shares, rights issue and open offer may have difficulties to attract investors to subscribe new shares or causing larger dilution effect as mentioned above, we are of the view and concur with the view of the Management that the placing of Convertible Bonds is in the interests of the Company and Shareholders as a whole.

7. Possible financial effect of the SPV Loan Agreement, the Placing Agreement and the Share Option Deed

Earnings

According to the Management, save for the interest and commission expenses, legal and professional fees/expenses of approximately HK\$2.0 million to be incurred in relation to the SPV Loan Agreement and the Placing Agreement, there will not be any immediate material impact on the earnings of the Group in this regard.

Working capital

As mentioned under the paragraph headed “3. The SPV Loan Agreement” above in this letter, the unaudited cash and cash equivalents of the Group as at 31 May 2021 was approximately RMB20.9 million. Therefore, the Company entered the Placing Agreement with the Placing Agent to place the Convertible Bonds to Placees (who will be independent individual, corporate and/or institutional investors) to subscribe in cash of up to an aggregate principal amount of US\$8,000,000. The cash and cash equivalents of the Company may be fluctuated in the future depends on (i) the schedule of the proceeds from the Placing Agreement and the draw down schedule of the SPV Loan Agreement; and (ii) whether the Options being exercised during the Option Period.

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Profit or loss and other comprehensive income

According to the Management, the fair value of the Options to be granted are expected to be charged to the consolidated statement of profit or loss and other comprehensive income of the Company during the Options Period but would not have any effects to the consolidated statement of cash flows of the Company as it is a non-cash item.

RECOMMENDATION

Notwithstanding the SPV Loan Agreement and the Share Option Deed are not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the SPV Loan Agreement and the Share Option Deed are in the interests of the Company and the Shareholders as a whole; (ii) the SPV Loan Agreement and the Share Option Deed are on normal commercial terms; and (iii) the SPV Loan Agreement and the Share Option Deed are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the SPV Loan Agreement and the Share Option Deed and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 14 years of experience in corporate finance industry.

Unless otherwise specified, conversion of RMB and US\$ into HK\$ and US\$ into RMB in this letter is based on the exchange rate set out below (for illustration purposes only):

RMB1.00: HK\$1.21

US\$1.00: HK\$7.76

US\$1.00: RMB6.40

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 can be found in the annual reports of the Company for each of the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 (pages 50 to 113 of the 2018 Annual Report published on 28 March 2019, pages 58 to 117 of the 2019 Annual Report published on 26 March 2020 and pages 49 to 123 of the 2020 Annual Report published on 30 March 2021) respectively, all of which have been published on the HKExnews website at www.hkexnews.hk and the company's website at www.qtbj.com.

The Company's annual reports for the three financial years ended 31 December 2020 is accessible via the following hyperlink:

— 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328013.pdf>

— 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0326/2020032600047.pdf>

— 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000690.pdf>

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the manufacture and sale of office furniture products. The products are sold to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province etc. The Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland in Chengdu city and a branch office, Chongqing Branch Office in Chongqing city.

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties.

Due to the dual impact of the global coronavirus epidemic and the US-China trade war, although the Group's revenue in 2020 increased by 69.6% over the same period last year, the loss for the year attributable to owners of the Company still increased by 63.6% over the same period last year. Looking ahead, the situation remains grim overseas and the furniture market as a whole is still weak heretofore, the Company will continue to compete for more orders with lower product prices in the coming year with the view to ensure effective operation. Meanwhile, the Company will continue to focus its resources to further consolidate the Southwest provinces that enjoy traditional advantages, in order to tide over the difficulties in the adverse market. The Group will also increase its investment in the technology research and development of its products year-on-year, so as to diversify its product design and keep pace with the market trend in order to attract new customers and retain long-term customers, in

order to enhance the Group's competitiveness in tendering and expand its market share. At the same time, the Group will further implement more stringent cost control measures to reduce unnecessary energy consumption, and strive to achieve the profit target set by the Group.

In addition, through Polyqueue Limited, the Group will work with banks, investment funds and other investors to actively develop the data centre business. Polyqueue Limited will primarily assume the management role in all projects, its responsibilities will include planning and identifying new data centres, developing websites, uphold commitments to the customers, providing organization and management services to customers, and maintaining a high level of service and customer satisfaction, so as to develop and maintain long-term relationships with customers. We firmly believe that entering the data centre business will enable the Group to exert its corporate value for the benefit of the shareholders.

3. STATEMENT OF INDEBTEDNESS

Lease liabilities

As at 31 May 2021, the Group had lease liabilities in the aggregate amount of approximately RMB18,929,000 for lease of properties in the PRC, as to approximately RMB7,603,000 classified as non-current lease liabilities and as to approximately RMB11,326,000 classified as current lease liabilities.

Convertible bonds

As at 31 May 2021, the Company had issued convertible bonds in the principal amount of HK\$12,400,000 which entitle the holder(s) thereof to convert the same into Shares at the conversion price of HK\$0.24 per Share. The maturity date of the convertible bonds is 15 January 2024 and the liability component of the convertible bonds as at 31 May 2021 amounted to approximately HK\$8,844,000 (equivalent to RMB7,250,000).

Contingent liabilities and guarantees

In relation to contingent liabilities and guarantees, as at 31 May 2021, the Company was not aware of any contingent liabilities or guarantees.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 May 2021.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 May 2021 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds and the proceeds from the Placing, the Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL CHANGE

The Directors confirmed that there were no material change in the financial and trading position or outlook of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

(i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>1,500,000,000</u> Shares of HK\$0.01 each	<u>15,000,000.00</u>

Issued and fully-paid:

<u>907,333,333</u> Shares of HK\$0.01 each	<u>9,073,333.33</u>
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(ii) Immediately following the allotment and issue of the Conversion Shares (assuming full conversion of the Convertible Bonds)

<i>Authorised:</i>	<i>HK\$</i>
<u>1,500,000,000</u> Shares of HK\$0.01 each	<u>15,000,000.00</u>

Issued and fully-paid:

907,333,333 Shares of HK\$0.01 each	9,073,333.33
124,800,000 Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	1,248,000.00
<u>1,032,133,333</u> Shares of HK\$0.01 each	<u>10,321,333.33</u>

(iii) Immediately following the allotment and issue of the Conversion Shares (assuming full conversion of the Convertible Bonds) and the allotment and issue of the Subscription Shares (assuming full exercise of the Options)

<i>Authorised:</i>		<i>HK\$</i>
<u>1,500,000,000</u>	Shares of HK\$0.01 each	<u>15,000,000.00</u>
 <i>Issued and fully-paid:</i>		
907,333,333	Shares of HK\$0.01 each	9,073,333.33
124,800,000	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	1,248,000.00
100,000,000	Subscription Shares upon the exercise of the Options in full	1,000,000.00
<u>1,132,133,333</u>	Shares of HK\$0.01 each	<u>11,321,333.33</u>

All the Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital.

No application is being made or is currently proposed or sought for the Shares, the Conversion Shares or the Subscription Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) or which were otherwise required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

(i) Long positions in the Shares and the underlying shares

Name of Director	Capacity/Nature of interest	Number of shares held/Interested	Percentage of shareholdings
Mr. Ma Gary Ming Fai ("Mr. Ma")	Interest in a controlled corporation (<i>Note 1</i>)	245,300,400 (Long position)	27.04%
Mr. Yi Cong	Interest of spouse (<i>Note 2</i>)	116,580,000 (Long position)	12.85%

Notes:

- The shares are held by Sun Universal Limited, the equity interest of which is owned as to 100% by Mr. Ma. Accordingly, Mr. Ma is deemed to be interested in all the shares held by Sun Universal Limited for the purpose of Part XV of the SFO.
- Mr. Yi Cong is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi Cong is deemed to be interested in all the shares which Ms. Zhang Gui Hong is interested for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity/Nature of interest	Number of shares held/Interested	Percentage of shareholdings
Sun Universal Limited	Beneficial owner	245,300,400 (Long position)	27.04%
Ms. Hung Fung King Margaret	Interest of spouse (<i>Note 1</i>)	245,300,400 (Long position)	27.04%
Brilliant Talent Global Limited	Beneficial owner (<i>Note 2</i>)	116,580,000 (Long position)	12.85%
Ms. Zhang Gui Hong	Interest in a controlled corporation (<i>Note 2</i>)	116,580,000 (Long position)	12.85%

Notes:

- Ms. Hung Fung King Margaret is the spouse of Mr. Ma. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the SFO.
- The entire issued share capital of Brilliant Talent Global Limited is owned by Ms. Zhang Gui Hong. Accordingly, Ms. Zhang Gui Hong is deemed to be interested in all the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

Mr. Ma, an executive Director, is the sole shareholder of Myshowhome International Limited (“**Myshowhome International**”, together with its subsidiaries, the “**Myshowhome Group**”). Myshowhome International holds 100% interest in Myshowhome (Hong Kong) Limited (“**Myshowhome HK**”), which in turn holds 100% interest in Dongguan Shangpin Furniture Co., Ltd. (東莞市尚品家具有限公司) (“**Shangpin**”). Shangpin is a wholly foreign-owned enterprise established under the laws of the PRC on 10 July 2012 with a registered capital of HK\$8 million and is principally engaged in the manufacturing of sofas and sofa-beds for export to places outside the PRC. Mr. Ma confirms that Myshowhome International and Myshowhome HK are both investment holding companies. Mr. Ma has entered into a deed of non-competition in favour of the Company, and he and his close associates will abstain from voting on matters relating to the Group or Myshowhome Group where actual or potential conflicts of interest may arise.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. QUALIFICATIONS AND CONSENTS OF EXPERT

The following are the qualifications of the expert(s) who have given opinions or advice which are contained in this circular:

Name	Qualifications
Nuada Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors nor expert referred to in above has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the sale and purchase agreement dated 19 October 2019 (as supplemented by the extension letter dated 12 December 2019) and entered into between the Company, Billion Eggs Limited and Rock Link Limited as vendors and Ms. Grace Wahyuni Sardjono and Mr. Fang Shin as guarantors for the acquisition of the entire issued share capital of Polyqueue Limited for a consideration of HK\$37,200,000 settled by way of issue of consideration shares and convertible bonds;
- (b) the SPV Loan Agreement;
- (c) the Share Option Deed; and
- (d) the Placing Agreement.

10. MISCELLANEOUS

- (1) Mr. Ma, an executive Director, is the compliance officer of the Company.
- (2) Ms. Leung Yuk Yi is the company secretary. She is a member of Hong Kong Institute of Certified Public Accountants.

- (3) The registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (4) The principal place of business of the Company in the PRC is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the PRC.
- (5) The principal place of business of the Company in Hong Kong is at Room 747, 7/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (6) The principal share registrar and transfer office of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (7) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (8) The business address of Mr. Lai is at Room 1603B, 16/F, Tower 2, Nina Plaza, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.
- (9) In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

11. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three members, Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung, being all the independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process, audit plan and relationship with external auditors, the internal control systems of the Group and to provide advices and recommendations to the Board for review and follow-up.

Mr. Chan Wing Kit (陳永傑), aged 49, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Chan obtained a Bachelor of Commerce degree from Monash University in February 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia. From March 2016 to August 2019, Mr. Chan was an executive director of Royale Furniture Holdings Limited (Stock Code: 1198, “**Royale Furniture**”). The principal business activities of Royale Furniture include manufacturing, trading and retailing home furniture in the PRC. Mr. Chan has been appointed as a chief financial officer of Royale Furniture since August 2019.

Ms. Cao Shao Mu (曹少慕), aged 60, was appointed as the independent non-executive Director of the Company on 17 December 2016. She was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Ms. Cao completed a selected on-job executive master of business administration course* (在職經

理工商管理碩士(EMBA)精選課程研修班) in November 2004 at Yiyuan College, Sun Yat-Sen University. Ms. Cao worked in the sales department of Guangzhou Pepsi-Cola Beverage Co., Ltd from 2001 to 2014 and retired holding the position of senior district development manager.

Mr. Kwok Sui Hung (郭瑞雄), aged 61, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Kwok completed a certificate programme in marketing management from the Hong Kong Management Association in June 1994. Since 1996, Mr. Kwok has been the general manager of Sun Champion Trading Limited, responsible for monitoring the operation of Hong Kong and China divisions of that company.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (other than Saturdays, Sundays and public holidays) at the head office and principal place of business in Hong Kong of the Company at Room 747, 7/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020;
- (c) the letter from the Board, the text of which are set out on pages 5 to 25 of this circular;
- (d) the letter from the Independent Board Committee, the text of which are set out on pages 26 to 27 of this circular;
- (e) the letter of advice from Nuada, the text of which are set out on pages 28 to 48 of this circular;
- (f) the material contracts referred to under the paragraph “Material contracts” in this appendix; and
- (g) this circular.

NOTICE OF EGM

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Zhi Sheng Group Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) will be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 2 August 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional loan agreement (the “**SPV Loan Agreement**”) dated 2 June 2021 and entered into between the Company as lender and Mega Data Investment Limited (the “**SPV**”) as borrower in relation to, among others, the advancement of the loan in the aggregate sums of up to RMB100,000,000 (in HK\$ equivalent) in two tranche (a copy of which is produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director (each a “**Director**”) of the board (the “**Board**”) of directors of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the SPV Loan Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the SPV Loan Agreement and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

2. “**THAT**, with effect from the date of passing this resolution, Mr. Lai Ningning (“**Mr. Lai**”) be appointed as an executive Director and to authorise the Board to fix his remuneration.”

3. “**THAT**

- (a) the conditional share option deed (the “**Share Option Deed**”) dated 2 June 2021 and entered into between the Company and Mr. Lai in relation to, among others, the grant of options (the “**Options**”) by the Company to Mr. Lai entitling the holder(s) thereof to subscribe for up to 100,000,000 shares of HK\$0.01 each (the “**Subscription Shares**”) at the subscription price of HK\$0.35 per Subscription Share (subject to adjustments) (a copy of which is

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produced to the Meeting marked “B” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares, the allotment and issue of the Subscription Shares in accordance with the terms and conditions of the Share Option Deed and the transactions contemplated thereunder be and is hereby approved;
- (c) the Board be and is hereby granted with a specific mandate to allot and issue the Subscription Shares; and
- (d) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Share Option Deed and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Share Option Deed and the allotment and issue of the Subscription Shares and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

4. “**THAT**

- (a) the conditional placing agreement (the “**Placing Agreement**”) dated 2 June 2021 and entered into between the Company as issuer and Forwin Securities Group Limited as placing agent in relation to, among others, the placing of the convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of up to US\$8,000,000 convertible into shares of HK\$0.01 each (the “**Conversion Shares**”) in the share capital of the Company at the conversion price of HK\$0.50 per Conversion Share (subject to adjustments) (a copy of which is produced to the Meeting marked “C” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares, the allotment and issue of the Conversion Shares in accordance with the terms and conditions of the Convertible Bonds and the transactions contemplated thereunder be and is hereby approved;
- (c) the Board be and is hereby granted with a specific mandate to allot and issue the Conversion Shares; and

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- (d) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Placing Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds) and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 16 July 2021

Registered office:
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Principal place of business
in the PRC:*
3/F, 222 Tianren Road
Gaoxin District
Chengdu City
Sichuan Province
The People’s Republic of China

*Principal place of business
in Hong Kong:*
Room 747, 7/F, Star House
3 Salisbury Road
Tsim Sha Tsui
Kowloon, Hong Kong

NOTICE OF EGM

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.
2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.