

**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)**

### **MAJOR TRANSACTION INVOLVING PROVISION OF FINANCIAL ASSISTANCE BY WAY OF PLEDGE OF PROPERTIES**

**Financial Adviser to the Company**



**Capital 9 Limited**

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A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held by way of electronic means (via ZOOM MEETING ONLY) on Tuesday, 12 April 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Voting at the EGM is by PROXY ONLY. Shareholders who wish to vote on any or all of the resolution(s) at the EGM must 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, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending the EGM or any adjournment thereof via ZOOM MEETING should you so wish.

25 March 2022

## **CHARACTERISTICS OF GEM**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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.**

|                 |
|-----------------|
| <b>CONTENTS</b> |
|-----------------|

|   | <i>Page</i> |
|---|-------------|
| <b>DEFINITIONS</b> .....                                      | 1           |
| <b>LETTER FROM THE BOARD</b> .....                            | 4           |
| <b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP</b> .....  | I-1         |
| <b>APPENDIX II — VALUATION REPORT ON THE PROPERTIES</b> ..... | II-1        |
| <b>APPENDIX III — GENERAL INFORMATION</b> .....               | III-1       |
| <b>NOTICE OF EGM</b> .....                                    | EGM-1       |

## DEFINITIONS

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

|                       |   |
|-----------------------|---|
| “Agreement”           | the conditional master agreement dated 25 January 2022 and entered into between the Company and the Borrower, in relation to, among others, the pledge of the Properties to assist the obtaining of the Financing                   |
| “Announcement”        | the announcement of the Company dated 25 January 2022 in relation to the Agreement  |
| “associate(s)”        | has the meaning ascribed to this term under the GEM Listing Rules   |
| “Availability Period” | subject to fulfilment of the conditions precedent of the Agreement, the period commencing from the date of the Agreement and ending on date falling 36 months after the first date of the pledge of the Properties with the Bank(s) |
| “Bank(s)”             | state-owned financial institution(s) in the PRC   |
| “Board”               | the board of Directors  |
| “Borrower”            | 東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd. <sup>#</sup> ), a company established in the PRC with limited liability   |
| “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   |
| “Directors”           | directors (including the independent non-executive directors) of the Company from time to time  |
| “EGM”                 | the extraordinary general meeting of the Company to be held and convened to approve the Agreement and the transactions contemplated thereunder  |
| “Financing”           | the financing to be obtained by the Borrower (or its subsidiary) from the Bank(s)   |
| “GEM”                 | GEM of the Stock Exchange   |
| “GEM Listing Rules”   | the Rules Governing the Listing of Securities on the GEM  |

## DEFINITIONS

|                                |  |
|--------------------------------|--|
| “Group”                        | the Company and its subsidiaries   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC   |
| “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 |
| “Latest Practicable Date”      | 22 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein  |
| “Management Contract”          | the management contract for data centres to be entered into between the Group and the Borrower   |
| “Mr. Luo”                      | Mr. Luo Jinyao (羅錦耀先生)   |
| “Mr. Ma”                       | Mr. Ma Gary Ming Fai, the executive Director and substantial shareholder of the Company  |
| “PRC”                          | the People’s Republic of China   |
| “Properties”                   | a parcel of land and buildings located at 中國四川省成都市溫江區天府鎮新華大道808號 (unofficially translated as “No. 808 Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC”)   |
| “Sales Contract”               | the sales contract for data centres to be entered into between the Group and the Borrower  |
| “Security Parties”             | each of any one of the Borrower, Mr. Luo and any other person who has provided security or subsequently provides security for all or any part of the Borrower’s obligations under the Agreement  |
| “SFO”                          | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Shares”                       | ordinary shares of HK\$0.01 each in the share capital of the Company   |
| “Shareholders”                 | holders of the Shares  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited  |

## DEFINITIONS

|                           |   |
|---------------------------|---|
| “substantial shareholder” | has the meaning ascribed to this term under the GEM Listing Rules   |
| “WNT”                     | 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited <sup>#</sup> ), 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.   |

<sup>#</sup> *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  
Mr. Lai Ningning

*Registered office:*

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

*Non-executive Director:*

Mr. Luo Guoqiang

*Principal place of business in the PRC:*

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

*Independent non-executive Directors:*

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

*Principal place of business in Hong Kong:*

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

25 March 2022

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION INVOLVING PROVISION OF  
FINANCIAL ASSISTANCE BY WAY OF  
PLEDGE OF PROPERTIES**

**INTRODUCTION**

Reference is made to the Announcement in relation to, inter alia, the Agreement and the proposed pledge of the Properties.

As the applicable percentage ratio in respect of the Agreement is more than 25% but is less than 100%, the entering into of the 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.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) the valuation report of the Properties; and (iii) a notice of the EGM.

## LETTER FROM THE BOARD

### PROVISION OF FINANCIAL ASSISTANCE BY WAY OF PLEDGE OF THE PROPERTIES

#### Background

As at the date of the Agreement, the Group is the owner of the Properties, which include a parcel of land and buildings located at 中國四川省成都市溫江區天府鎮新華大道808號 (unofficially translated as “No. 808 Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC”).

The entering into of the 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 Agreement.

#### THE AGREEMENT

Date: 25 January 2022 (after trading hours)

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

The Borrower is a company established in the PRC with limited liability. The Borrower is a company owned by Mr. Luo and/or his associated companies and is principally engaged in lease of industrial properties in the PRC to tenants including data centre(s) and/or other businesses and industries. Mr. Luo intends to further develop and extend the business of the Borrower for the purpose of acquisition, investment and/or development of its data centre business in the PRC. Mr. Luo is the ultimate beneficial owner of the Borrower.

Mr. Luo is an entrepreneur. He considers that the data centre business in the PRC is with prospect and intends to acquire, invest and/or develop the data centre business in the PRC. The Borrower intends to obtain the Financing from the Bank(s) for the purpose of acquisition, investment and/or development of its data centre business in the PRC. The Borrower will negotiate with the Bank(s) to obtain the Financing for that purpose.

To give a full background, as disclosed in the prospectus of the Company dated 30 December 2016, on 29 December 2014, Mr. Ma (through his controlled company) acquired the entire equity interest of 四川青田家俱實業有限公司 (Sichuan Greenland Furniture Co., Limited) from Mr. Luo and an Independent Third Party for a total consideration of RMB61,000,000. Such controlled company of Mr. Ma became an indirect wholly-owned subsidiary of the Company upon completion of the corporate reorganization of the Group in preparation for the listing of the Company on GEM. Save for that transaction disclosed in the prospectus of the Company, Mr. Luo has no other business relationship with the Group.

WNT, accounted as a subsidiary of the Company, has expertise in managing data centres in the PRC. Moreover, the Company intends to utilize its assets to maximize returns for its Shareholders. As such, the Company entered into the Agreement with the Borrower after arm's length negotiations.



## LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Borrower and Mr. Luo is an Independent Third Party.

### Subject Matter

The Borrower will negotiate with the Bank(s), which shall be state-owned financial institution(s) for the Financing for the purpose of acquisition, investment and/or development of its data centre business in the PRC.

Subject to the terms and conditions of the Agreement, the Company agrees to procure its subsidiaries to pledge the Properties in favour of the Bank(s) to assist the Borrower to obtain the Financing from the Bank(s) during the Availability Period. For the avoidance of doubt, under the Agreement, the maximum collateral value of the Financing to be secured by the pledge of the Properties shall be not more than RMB60,000,000 (the "**Collateral Value**") in respect of the Properties.

The actual terms and conditions of the pledge of the Properties shall be subject to the confirmation of the Company.

Unless otherwise agreed with the Company in writing, the Financing or any part thereof shall only be utilised by the Borrower for the purpose of acquisition, investment and/or development of its data centre business in the PRC.

### Management Contract

Under the Agreement, the Borrower shall grant an exclusive management right to a designated subsidiary of the Company to manage the data centre(s) to be owned or controlled by the Borrower and/or its associates, subject to the terms and conditions of the Management Contract to be entered into between the parties.

Set out below is the proposed principal terms of the Management Contract:

|                               |  |
|-------------------------------|--|
| Parties:                      | The Borrower<br><br>A designated subsidiary of the Company as service provider   |
| Term:                         | Not less than 3 years from the date of the Management Contract   |
| Management and Service Scope: | Operating and managing data centre(s)  |
| Management Fees:              | Payable and calculated on a monthly basis<br><br>In the event that the number of rack(s) in a relevant centre leased on any one day of a calendar month is less than 1,500, the monthly management fee(s) payable by the Borrower shall be RMB100 per rack |

## LETTER FROM THE BOARD

In the event that the number of rack(s) in a relevant centre leased on any one day of a calendar month is more than 1,500, the additional monthly management fee(s) payable by the Borrower shall be subject to negotiations of the parties

The entering into of the Management Contract shall be in the ordinary and usual course of business of the Group.

The exclusive management right would be granted to the Company as long as the Properties were pledged in favour of the Bank under the Agreement.

It is expected that one data centre of up to 8,000 racks will be managed under the Management Contract(s). And the minimum number of racks in the data centre to be managed is expected to be 1,500. The monthly management fee of RMB100 per rack is determined between the Group and the Borrower on arm's length negotiation basis and taking into account the market range of around 1% to 2% on the expected fee to be charged from customers of the rack. In respect of the additional management fee, the Group will take into account of the number of racks to be managed and the then market prices in determining the additional management fee.

### **Sales Contract**

Under the Agreement, the Borrower shall grant an exclusive right to a designated subsidiary of the Company as its agent to procure the sale and/or lease of the relevant data centre rack(s) to customers, subject to the terms and conditions of the Sales Contract to be entered into between the parties.

The entering into of the Sales Contract shall be in the ordinary and usual course of business of the Group.

The exclusive right would be granted to the Company as long as the Properties were pledged in favour of the Bank in accordance with the Agreement. Save for the exclusive right granted to the Company, the other proposed terms under the Sales Contract have not yet been fixed. Further announcement(s) will be made by the Company to provide further updates in relation to the terms of the Sales Contract in compliance with the GEM Listing Rules.

For the avoidance of doubt, the Management Contract and the Sales Contract shall be subject to further negotiations and the entering into of the relevant Management Contract and the Sale Contract between the relevant parties.

## LETTER FROM THE BOARD

### Conditions precedent

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

- (a) the passing of the resolution(s) by the Shareholders (other than the Borrower and its associates) in general meeting of the Company approving the Agreement and the transactions contemplated thereunder;
- (b) completion of due diligence on the Borrower and other Security Parties including Mr. Luo by the Company and the terms of the Financing having been confirmed by the Company; and
- (c) the execution of the relevant security documents by Mr. Luo (and other Security Parties as may be requested by the Company) in favour of the Company.

Pursuant to the terms of the Agreement, Mr. Luo shall execute a personal guarantee in favour of the Company to secure for the payment and performance of the Borrower under the Agreement.

If the conditions set out above have not been satisfied (or waived) within one (1) year of the Agreement or such later date as the parties to the Agreement may agree, the 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.

The prolonged long stop date is to allow sufficient time for the fulfillment of the conditions.

Save for conditions (b) and (c) may be waived by the Company, the other condition is not waivable. The Company has no intention to waive any conditions precedent. It is the intention of the Company to have the conditions precedent be fulfilled as soon as practicable.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled yet.

### Commitment Fee and Fees

Upon the entering of the Agreement, the Borrower shall within 14 days pay the Company a non-refundable commitment fee in the sum of HK\$500,000. The commitment fee is not refundable and has been paid to the Company as at the Latest Practicable Date.

In consideration of the Company to procure the pledge of the Properties, the Borrower shall pay the Company an annual fee (the “Fee(s)”) at the rate of 1% per annum on the valuation of the Properties (to be determined by an independent valuer to be appointed by the Company). The parties agree that the valuation of the Properties obtained as at the date of the Agreement was RMB60,000,000 as at 31 December 2021. The Fee(s) shall be calculated on the actual number of days elapsed from the date of execution of the pledge of the Properties and on the basis of a 365-day year and is payable on an annual basis.

## LETTER FROM THE BOARD

The annual fee was determined after arm's length negotiations with reference to the value of the Properties and market guarantee fee rate. As released by the Guangdong Financial Supervisory Authority, the market guarantee fee was around 1%. The annual fee would be payable by the Borrower as long as the Properties were pledged in favour of the Bank under the Agreement.

### Release of the Properties

The Borrower shall at its own costs and expenses procure the release of the Properties to the satisfaction of the Company upon the expiry of the Availability Period.

### INFORMATION ON THE PROPERTIES

The Properties include a parcel of land and buildings located at 中國四川省成都市溫江區天府鎮新華大道808號 (unofficially translated as “No. 808 Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC”) and is owned by the Group. As at the Latest Practicable Date, the Properties are not subject to any mortgage.

The Properties are currently utilised by the Group as its furniture production base. The audited book value of the Properties as at 31 December 2020 was approximately RMB55.4 million.

In respect of the competency and independence of Valplus Consulting Limited (“**Valplus**”), the Company has obtained

- (1) profile information, including professional qualification and track record of property valuation experience, of the personnel from Valplus in charge of the valuation of the Properties; and
- (2) independence confirmation from Valplus.

Given the above and that Valplus has conducted valuation of the Properties for the Company since 2020, the Company has grounds to believe that the valuer is competent and independent to conduct valuation of the Properties.

Set out below is the key assumptions of the valuation on the Properties by Valplus:

- The owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term as granted and is entitled to transfer the property interests with the residual term without payment of any further premium to the government authorities or any third parties;
- The owner sells the property interests on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests. No forced sale situation in any manner is assumed in the valuation;

## **LETTER FROM THE BOARD**

- No allowance has been made in the valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated in the valuation report, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values;
- All consents, approvals and licenses from relevant government authorities for the property interests have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers; and
- All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. However, Valplus assumed that the utilization of the property interests and improvements are within the boundaries of the property interests described and that no encroachment or trespass exists, unless noted in the valuation report.

Please refer to the valuation report of the Properties in appendix II to this circular for further details.

Having (i) reviewed the relevant assumptions, the valuation methodology and explanation by Valplus of the valuation methodology adopted as set out in the valuation report; and (ii) considered the expertise and experience of Valplus in property valuation, the Board considers that the parameters adopted in the valuation are fair and reasonable.

### **REASONS FOR ENTERING INTO OF THE 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.

In respect of each of the Borrower and Mr. Luo, the Company has obtained information including

- (1) the company search results of the Borrower showing its background information, including but not limited to name of shareholders and amount of registered capital;
- (2) the audited financial statements of the Borrower showing the audited net assets value of the Borrower as at 31 December 2020;
- (3) the title documents and valuation reports of 19 properties in Chengdu City, Sichuan Province, the PRC owned by a company wholly-owned by Mr. Luo and his spouse;

## LETTER FROM THE BOARD

- (4) the litigation search results of the Borrower and Mr. Luo in the PRC and Hong Kong; and
- (5) the winding up/bankruptcy search results of the Borrower and Mr. Luo in Hong Kong.

As such, the Company are satisfied that the Borrower and Mr. Luo have a sound asset backing.

Whilst the Company understands that the Borrower and/or Mr. Luo and its associates could arrange pledge in favour of the Bank in obtaining the Financing, the Borrower and the Group intends to develop business relationship through the bundle of arrangements, including financial assistance by way of pledge of the Properties, the Management Contract and the Sales Contract, taking into account (i) Mr. Luo (through the Borrower) intends to obtain the Financing from the Bank for the purpose of acquisition, investment and/or development of its data centre business in the PRC and thus requires collaterals for the Financing; (ii) the Group has experience and expertise in managing and operating data centres and will be granted exclusive rights to the aforesaid data centre of Mr. Luo pursuant to the Management Contract and Sales Contract to generate income; and (iii) the Company intends to utilise the assets of the Group in order to maximize returns for its Shareholders.

The Company is actively seeking opportunities to maximize returns for its Shareholders. The Directors consider that the entering into the Agreement offers the Group a good business opportunity to utilise its assets for stable fees income whereas the Management Contract and the Sales Contract represent an opportunity to allow the Group further develop its data centre business networks in the PRC with new income sources over the forthcoming years.

As such, the Directors consider that the Agreement will enhance the earning ability to the Group in the future. It is expected that the Fees will contribute positively to the earnings and assets of the Group for the forthcoming years.

The Company has thoroughly considered the risks and rewards in association with the Agreement. In respect of the risk of the entering into of the Agreement, the Company has considered the relevant potential risk, in particular the risk when the Borrower would fail to perform its obligations under the relevant Financing and in such event, the Properties would be subject to the risk of forfeiture by the relevant Bank. The Company will closely monitor the repayment status of the Financing. Whilst the Properties are currently utilised by the Group as its furniture production base, the Group considers that the Group can relocate its furniture production base and/or subcontract its furniture orders in the event of forfeiture of the Properties and the Company considers that the sustainability of the Group will not be affected. Having considered that Mr. Luo would execute a personal guarantee in favour of the Company together with the assessment of personal wealth of Mr. Luo, the Company considers that the risk would be relatively low in comparison with the potential rewards as a result of the Management Contract and the Sales Contract.

## LETTER FROM THE BOARD

Whilst the Company expects that the Management Contract and the Sales Contract will bring extra reward to the Group, it is not possible to quantify the rewards at this stage as the detailed terms and conditions have not yet been fixed. There will also be potential risks that the Management Contract and/or the Sales Contract would not be materialized, but the Company would still be entitled to the Fees in that case, which amounts RMB600,000 per annum.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement is entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the Agreement are fair and 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 Agreement and was required to abstain from voting on the relevant board resolution(s).

### EGM

A notice convening the EGM to be held by way of electronic means (via ZOOM MEETING ONLY) on Tuesday, 12 April 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be held for the Shareholders to consider and, if thought fit, pass the resolution to approve, among other things, the Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Voting at the EGM is by PROXY ONLY. Shareholders who wish to vote on any or all of the resolution(s) at the EGM must complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited (the "**Share Registrar**") 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 the EGM or any adjournment thereof via ZOOM MEETING should you so wish.

To the best of Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Agreement and the transactions contemplated thereunder and no Shareholder is required to abstain from voting at the EGM.

In view of the recent development of the COVID-19 pandemic and the related prevention and control measures imposed by the Hong Kong Government (including the latest Prevention and Control of Disease (Prohibition on Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong)), the arrangements for the EGM are as follows:

## LETTER FROM THE BOARD

### Accessing proceedings of EGM by ZOOM

Shareholders who would like to view, speak and listen to the EGM through a live webcast will need to register by sending an email to the Share Registrar at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or via telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong Public holidays) no later than 11:00 a.m. on 10 April 2022 (being not less than 48 hours before the time appointed for holding the EGM) to enable the Company to verify the Shareholders' status.

If you are a non-registered Shareholder, you should contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your Shares are held (as the case may be) (collectively the (“**Intermediary**”)) and instruct the Intermediary to appoint you as proxy or corporate representative to view and listen via Zoom Meeting at the EGM and in doing so, you will be asked to provide your email address. Details regarding the Zoom Meeting including the login details will be emailed to you by the Share Registrar.

Authenticated Shareholders will receive an email confirmation by 11 April 2022, which contains a link to join the EGM via ZOOM MEETING. Shareholders **MUST NOT** forward the link to other persons who are not the Shareholders and who are not entitled to attend the EGM.

### **THE COMPANY WILL NOT ACCEPT ANY PHYSICAL ATTENDANCE BY SHAREHOLDERS.**

### Questions from shareholders

Shareholders may submit any questions they may have in advance in relation to any resolution(s) set out in the notice of EGM by 11:00 a.m. on 10 April 2022 (being not less than 48 hours before the time appointed for holding the EGM) via email to the Share Registrar at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or via telephone hotline at (852) 2980 1333 during business hours 9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong Public holidays). The Board will address the questions during the EGM proceedings. Alternatively, Shareholders could raise questions during the live webcast.

### Proxy voting

Voting at the EGM is by **PROXY ONLY**. Shareholders who wish to vote on any or all of the resolution(s) at the EGM must appoint the Chairman of the EGM or the company secretary of the Company as their proxy by completing the form of proxy for the EGM. Shareholders should specifically indicate how they wish to vote for or vote against the resolution(s) set out in the notice of EGM.

If you have any questions relating to the EGM, please email to the Share Registrar at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or call the Share Registrar's telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong Public holidays).



## LETTER FROM THE BOARD

### RECOMMENDATION

The Company is of the view that the Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution(s) to approve the Agreement and the transactions contemplated thereunder to be proposed 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**  
**Ma Gary Ming Fai**  
*Executive Director*

## 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](http://www.hkexnews.hk) and the Company's website at [www.qtbj.com](http://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>

The financial information of the Group for the six months ended 30 June 2021 and for the twelve months ended 31 December 2021 can be found in the interim reports of the Company for the six months ended 30 June 2021 and for the twelve months ended 31 December 2021 (pages 1 to 22 of the 2021 Interim Report for the six months ended 30 June 2021 published on 12 August 2021 and pages 1 to 26 of the 2021 Interim Report for the twelve months ended 31 December 2021 published on 11 February 2022) respectively, all of which have been published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.qtbj.com](http://www.qtbj.com).

The Company's interim reports for the six months ended 30 June 2021 and for the twelve months ended 31 December 2021 is accessible via the following hyperlink:

- 2021 Interim Report for the six months ended 30 June 2021:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0812/2021081200395.pdf>
- 2021 Interim Report for the twelve months ended 31 December 2021:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0211/2022021100925.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.

Looking forward, given the ever-evolving COVID-19 pandemic, majority of customers adopted a wait-and-see attitude or postponed the purchase schedule, the furniture market as a whole is still weak. The Company's current primary goal is to try its best to maintain effective operations by, including but not limited to, continuing to compete for more furniture orders at lower product prices and will set up different strategies for different provinces.

With analysis of the Group's manufacture and sale of office furniture products business segment, the revenue of that segment for the twelve months ended 31 December 2021 was approximately RMB50.6 million. Whilst the revenue amount was lower than that for the year ended 31 December 2020, the performance showed improvement in the fourth quarter of 2021, particularly in Sichuan Province.

Whilst it is contemplated that the business segment shall continue to be subject to keen competition and challenges in the next few years, the Group has business plan for the furniture segment for the year of 2022 as follows:

1. For Sichuan Province and Chongqing City in the PRC, the Group will set up incentive mechanism to correlate rewards to its sales team with gross profit margin of relevant tendering projects to ensure a reasonable profit margin and maintain the Group's market share in those markets.
2. For Yunan Province, Guizhou Province and Tibet Region, while a lower gross profit margin of tendering projects is allowed to improve the Group's competitiveness, the Group will strengthen its internal approval mechanism to ensure the Group's resources are used efficiently in operation and in line with the Group's strategies, with an aim to increase the Group's market share and gross profit for projects in those markets in next few years.
3. Sales team of the Group will be rewarded for expansion of customer base, particularly hotel, school or property customers.
4. Product briefing events will be organised in the exhibition halls in Sichuan headquarter and Chongqing branch office of the Group to attract direct orders from retail customers.
5. The Group will continue its research and development to improve product design and to develop home furniture in order to attract new customers and retain existing customers.
6. The Group will improve design of the Company's website for product display and explore the possibilities of online sales to attract non-tendering customers.

Moreover, on 1 June 2021, WNT entered into a buildout management agreement with other party, allowing the Group to further develop its data centre business networks in the PRC with new income sources over the forthcoming years. The related experience and expertise shall form part of the Group's track record and will open up more business opportunities for the Group.

On 2 June 2021, the Company (as lender) and Mega Data Investment Limited ("SPV", as borrower) entered into a conditional loan agreement in relation to a loan of up to RMB100,000,000 (HK\$ equivalent) in total in two tranches. Details of the aforesaid buildout management agreement and SPV loan agreement were set out in the announcement dated 2 June 2021 and the circular dated 16 July 2021 of the Company.

The Directors consider that the entering into the aforesaid SPV loan agreement offers the Group a good business opportunity to have stable interest income, and the buildout management agreement will enhance the earning ability to the Group in the future. As the project progressed, the Group is optimistic about outlook of the revenue and profit contribution associated with the buildout management project, and contributes positively to the earnings and assets of the Group for the forthcoming years. The Company believes that entering the data centre business will enable the Group to maximize its corporate value for the benefit of Shareholders.

### 3. INDEBTEDNESS

#### Statement of Indebtedness

##### *Lease liabilities*

As at 31 January 2022, the Group had lease liabilities in the aggregate amount of approximately RMB8,902,000 for lease of properties in the PRC, as to approximately RMB5,196,000 classified as non-current lease liabilities and as to approximately RMB3,706,000 classified as current lease liabilities.

##### *Convertible bonds*

As at 31 January 2022, the Company had the following convertible bonds:

- Convertible bonds in the principal amount of HK\$12,400,000 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.
- Convertible bonds in the principal amount of US\$8,000,000 entitle the holder(s) thereof to convert the same into Shares at the conversion price of HK\$0.50 per Share. The maturity date of the convertible bonds is 6 February 2024.

*Contingent liabilities and guarantees*

In relation to contingent liabilities and guarantees, as at 31 January 2022, 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 January 2022.

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 January 2022 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, the present bank and other facilities as well as the effect of the proposed transaction involving provision of financial assistance by way of pledge of the Properties, the Group will have sufficient working capital for at least twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 19.66(13) of the GEM Listing Rules.

**5. MATERIAL ADVERSE CHANGE**

The Directors confirmed that save for the increase in loss attributable to the owners of the Company as disclosed in the profit warning announcements of the Company dated 21 July 2021, 20 October 2021 and 18 January 2022 and the interim report of the Company for the twelve months ended 31 December 2021, there was no material adverse 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.

*The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Valplus Consulting Limited, an independent valuer, in connection with this valuation as at 31 December 2021 of the property interests to be held by the Group in the People's Republic of China.*



Valplus Consulting Limited  
Unit 907, 9/F,  
Houston Centre,  
East Tsim Sha Tsui,  
Kowloon, Hong Kong

25 March 2022

The Board of Directors  
Zhi Sheng Group Holdings Limited  
Room 747, 7/F  
Star House  
3 Salisbury Road, Tsim Sha Tsui  
Kowloon, Hong Kong

Dear Sirs/Madams,

Re: Valuation of a parcel of land and buildings located at No. 808 Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the People's Republic of China

In accordance with the instructions from Zhi Sheng Group Holdings Limited (“**Company**” and together with its subsidiaries, “**Group**”) for us to value the captioned property interests (“**Properties**”) held by the Group located in the People's Republic of China (“**China**” or “**PRC**”), we confirm that we have made relevant enquires and obtained such further information as we consider necessary for providing you with our opinion of market value of such property interests as at 31 December 2021 (“**Valuation Date**”).

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

## 1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for reference and incorporation into a public circular in connection with a proposed transaction (“**Proposed Transaction**”) involving provision of financial assistance by way of pledge of properties by the Company.

The Proposed Transaction, if materialized, and the corresponding transacting price would be the result of negotiations between the transaction parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Transaction, in which Valplus Consulting Limited (“**Valplus**”) is not involved in the negotiation and has no comment on the final agreed consideration. Furthermore, Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

## **2. BASIS AND PREMISE OF VALUE**

Our valuation represents our opinion of market value which we would define to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests, if applicable and practicable, we have complied with the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors.

## **3. VALUATION METHODOLOGIES**

In valuing the property interests held for owner occupation, we have adopted a combination of market and cost approach in assessing the land portion and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole.

In the valuation of the land portion, we have adopted the direct comparison method by making reference to comparable sales evidence as available in the relevant market. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

As the Properties have been developed for industrial use with specific designs and particular functions, the unique nature of the buildings and structures cannot be valued by comparison with open market transactions, they have therefore been valued by using cost approach. The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for upgrading of the assets to be appraised will also be considered in this approach. The cost approach generally furnishes the most reliable indication of value for assets without a known market of comparable sales.

#### 4. TITLE INVESTIGATION

We have not caused land searches regarding the title of the Properties but have been provided by the Group with copies of certain extracts on title documents and other documents in relation to the property interests. However, we have not searched and examined the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

No responsibility is assumed for legal matters in nature and no investigation has been made to the title of or any liabilities against the property valued. In this valuation, it is presumed that the property rights are good and marketable, and there are no encumbrances on the property interests which cannot be cleared through normal processes. For the purpose of title establishment, it is advised to seek opinion from competent legal consultants.

#### 5. VALUATION ASSUMPTIONS

- In valuing the property interests, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term as granted and is entitled to transfer the property interests with the residual term without payment of any further premium to the government authorities or any third parties;
- Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests. No forced sale situation in any manner is assumed in our valuation;
- No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values;
- All consents, approvals and licenses from relevant government authorities for the property interests have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers; and
- All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. However, we have assumed that the utilization of the property interests and improvements are within the boundaries of the property interests described and that no encroachment or trespass exists, unless noted in the valuation report.



## 6. LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Company and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, occupancy, lettings, site, floor areas, rooms, facilities, identifications and all other relevant materials regarding the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. All documents have been used as reference only. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Due to the outbreak of Novel Coronavirus (“**COVID-19**”), we have not inspected the property interests and therefore have assumed no serious defect. However, we have been provided with photographs and videos of the property interests taken by the Company in February 2022. If such information provided by the Company is different from the reality, we reserve our rights to amend our opinions. Furthermore, no structural survey has been made and it was not possible to inspect the woodwork and other parts of the structures which were covered, unexposed or inaccessible. We are therefore unable to report whether the property interests are free from rot, infestation or any other defects. No test was carried out on any of the services.

We have not carried out detailed measurement to verify the correctness of the areas of the property interests but have assumed that the areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation report are based on information contained in the documents provided to us for reference only and, therefore are only approximations.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assured unless otherwise stated, defined and considered in the valuation report.

## 7. REMARKS

As at the Valuation Date, we continue to be faced with an unprecedented set of circumstances caused by COVID-19, with some property markets having experienced lower level of transactions and liquidity and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of the property(ies) is therefore reported as being subject to “material valuation uncertainty” as set out in VPS 3 and VPGA 10 of the RICS Valuation — Global Standards.

Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case. For the avoidance of doubt this explanatory note, including the “material valuation uncertainty” declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the Valuation Date. We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinions dated 18 March 2022 (“**Legal Opinions**”) provided by the Group’s PRC legal adviser, namely 廣東展創律師事務所 (officially translated as “**Guangdong Zhanchuang Law Firm**”).

The Company has reviewed and agreed on the report and confirmed the factual content of the report.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (“**RMB**”).

We hereby confirm that we have neither present nor prospective interests in the Properties, the Group or the value reported herein.

Our Valuation Report is enclosed herewith.

Respectfully submitted,  
For and on behalf of  
**VALPLUS CONSULTING LIMITED**  
**Damon S.T. Wan**, *CFA, FRM, MRICS*  
*Director*

## VALUATION REPORT

| Property   | Description and tenure   | Particulars of occupancy   | Market value in existing state as at 31 December 2021 |
|--|--|--|---|
| 1. A parcel of land and buildings located at No. 808, Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC | The properties comprise a parcel of land together with 7 single 1-story to 5-story buildings erected thereon completed in 2008.<br><br>The site area and existing gross floor area of the properties are approximately 49,881.39 sq.m. and 33,218.98 sq.m.<br><br>The land use rights of the properties were granted for a term expiring on 22 January 2061 for industrial uses. | The properties were occupied by the Company for industrial use as at the Valuation Date. | RMB59,735,000   |

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate 《溫國用2011第12943號》 (Document No.: Wen Guo Yong 2011 No. 12943), the land use right of a parcel of land of the properties with a site area of approximately 49,881.39 sq.m. was granted to 四川青田家具實業有限公司 (unofficially translated as “Sichuan Greenland Furniture Co., Limited”, and hereinafter “**Business Enterprise**”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 22 January 2061 for industrial use.
- Pursuant to 7 Real Estate Ownership Certificates 《溫房權證監證字第0521333, 0521334, 0521335, 0521336, 0521337, 0521338及0521339號》 (Document No.: Wen Fang Quan Zheng Jian Zheng Zi Nos. 0521333, 0521334, 0521335, 0521336, 0521337, 0521338 and 0521339), the ownership of the 7 buildings of the properties with a total gross floor area of approximately 33,218.98 sq.m. were vested in the Business Enterprise. The particulars of the Real Estate Ownership Certificates are set forth as below:

| Real Estate Ownership Certificate (Document No.) | Usage                      | No. of storey | Approximate GFA (sq.m.) |
|--|----------------------------|---------------|-------------------------|
| 溫房權證監證字第0521333號                                 | Ancillary                  | 1             | 66.87                   |
| 溫房權證監證字第0521334號                                 | Office                     | 4             | 7,846.04                |
| 溫房權證監證字第0521335號                                 | Canteen and staff quarters | 5             | 4,720.65                |
| 溫房權證監證字第0521336號                                 | Production                 | 1             | 3,962.88                |
| 溫房權證監證字第0521337號                                 | Production                 | 1             | 8,025.47                |
| 溫房權證監證字第0521338號                                 | Production                 | 1             | 8,577.72                |
| 溫房權證監證字第0521339號                                 | Ancillary                  | 1             | 19.35                   |
| <b>Total</b>                                     |                            |               | <b>33,218.98</b>        |

- The properties are situated at No. 808 Xinhua Avenue in Tianfu Town. The subject area is mainly an industrial area surrounded by low to medium-rise buildings. A railway station is about 8-minute driving distance away from the properties.

4) In valuing the land portion, we have conducted our comparable search based on the following selection criteria:

- Precedent transactions completed within 2 years prior to the Valuation Date;
- Location in same district as the valuation subject;
- Industrial use; and
- Site area of comparable size;

Based on the above selection criteria, on best effort basis, we have identified an exhaustive list of comparable transactions of similar attributes as set forth below. Appropriate adjustments to the unit rate have been made to reflect factors including but not limited to time, term and location in arriving at our opinion of value.

| Comparable | Address                           | Site area<br>(sq.m.) | Usage      | Unit rate<br>(RMB/sq.m.) |
|------------|-----------------------------------|----------------------|------------|--------------------------|
| 1          | Xingyuan Community, Jinma Street  | 33,116               | Industrial | 427                      |
| 2          | Guangming Community, Jinma Street | 23,474               | Industrial | 427                      |
| 3          | Banxuefu Community, Tianfu Street | 41,152               | Industrial | 435                      |
| 4          | Jiayuan Community, Tianfu Street  | 50,489               | Industrial | 249                      |
| 5          | Haike Community, Tianfu Street    | 53,638               | Industrial | 249                      |

\* *Figures above are subject to rounding*

In our valuation, we have adopted average unit rate of RMB357 per sq.m. which is consistent with the range of comparable transactions and is thus considered to be fair and reasonable.

- 5) In valuing the building and structures portion, we have adopted the costs to reproduce or replace the building and structures in new condition by making reference to the prevailing construction cost for similar buildings and structures in the locality as sourced from public market research. The adopted unit rate for building and structures portion ranges from approximately RMB1,300 per sq.m. to RMB2,700 per sq.m..
- 6) For illustration purpose, the breakdown of value of the properties by each portion is set forth below:

|                                 |                                    |
|---------------------------------|------------------------------------|
| Land portion                    | RMB17,808,000                      |
| Building and structures portion | <u>RMB41,927,000</u>               |
| <b>Total</b>                    | <b><u><u>RMB59,735,000</u></u></b> |

\* *Figures above are subject to rounding.*

- 7) We have been provided with the Legal Opinions, which contains, inter alia, the following information:
- a) The Business Enterprise is the owner of the properties and is entitled to use, transfer, lease and mortgage the properties;
  - b) All land premiums and other cost of ancillary utility services of the properties has been settled in full;
  - c) The properties are free from any mortgages, orders and other legal encumbrances which may cause adverse effect to the title of the properties; and
  - d) The existing occupancy status of the properties are complied with the permitted use of the properties.

**STAFF BIOGRAPHY**

**Damon S.T. Wan**, *CFA, FRM, MRICS*  
*Director*

Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing. He has over 5 years of experience in the valuation of properties in Hong Kong, Macau, China and the overseas.

## 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. 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/<br>Nature of interest                        | Number of<br>ordinary shares<br>held/interested | Approximate<br>percentage of<br>the Company's<br>issued share<br>capital |
|---------------------------------|--|---|--|
| Mr. Ma                          | Interest in a controlled corporation ( <i>Note 1</i> ) | 245,300,400<br>(Long position)                  | 27.04%   |
| Mr. Yi Cong<br>("Mr. Yi")       | Interest of spouse<br>( <i>Note 2</i> )                | 116,580,000<br>(Long position)                  | 12.85%   |
| Mr. Lai Ningning<br>("Mr. Lai") | Beneficial owner<br>( <i>Note 3</i> )                  | 100,000,000<br>(Long position)                  | 11.02%   |

#### Notes:

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

3. Pursuant to the share option deed dated 2 June 2021, the Company conditionally granted options to Mr. Lai, and Mr. Lai has the right to request the Company to allot and issue up to 100,000,000 subscription shares at the subscription price. After Mr. Lai fully exercised the share options, his shareholding will be equivalent to 11.02% of the existing issued share capital of the Company and approximately 9.93% of the Company's issued share capital enlarged by the issuance of subscription shares. As at the Latest Practicable Date, Mr. Lai has not exercised any share option.

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/<br>Nature of interest                  | Number of shares<br>held/interested | Approximate<br>percentage of<br>the Company's issued<br>share capital |
|--|--|-------------------------------------|---|
| Sun Universal Limited<br>("Sun Universal")     | Beneficial owner                                 | 245,300,400<br>(Long position)      | 27.04%  |
| Ms. Hung Fung<br>King Margaret<br>("Ms. Hung") | Interest of spouse<br>(Note 1)                   | 245,300,400<br>(Long position)      | 27.04%  |
| Brilliant Talent<br>Global Limited             | Beneficial owner<br>(Note 2)                     | 116,580,000<br>(Long position)      | 12.85%  |
| Ms. Zhang Gui Hong<br>("Ms. Zhang")            | Interest in a controlled<br>corporation (Note 2) | 116,580,000<br>(Long position)      | 12.85%  |

| Name of Shareholder                          | Capacity/<br>Nature of interest                  | Number of shares<br>held/interested | Approximate<br>percentage of<br>the Company's issued<br>share capital |
|--|--|-------------------------------------|---|
| Even Joy<br>Holdings Limited<br>("Even Joy") | Beneficial Owner<br>(Note 3)                     | 46,800,000<br>(Long position)       | 5.15%   |
| Mr. Hung Kwong Yee<br>("Mr. Hung")           | Interest in a controlled<br>corporation (Note 4) | 46,800,000<br>(Long position)       | 5.15%   |
| Mr. Tsoi Tak<br>("Mr. Tsoi")                 | Beneficial Owner<br>(Note 5)                     | 46,800,000<br>(Long position)       | 5.15%   |

*Notes:*

- Ms. Hung is the spouse of Mr. Ma. Accordingly, Ms. Hung 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 legally and beneficially owned by Ms. Zhang. Ms. Zhang is deemed to be interested in the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.
- Pursuant to the placing agreement dated 2 June 2021, the Company conditionally allotted the convertible bonds (the "**Convertible Bonds**") convertible into 46,800,000 shares of the Company at the conversion price to Even Joy. Upon conversion in full, the shareholding represents 5.15% of the existing issued share capital of the Company. As at the Latest Practicable Date, Even Joy has not converted any Convertible Bond.
- The entire issued share capital of Even Joy is legally and beneficially owned by Mr. Hung. Accordingly, Mr. Hung is deemed to be interested in the shares held by Even Joy for the purpose of Part XV of the SFO.
- Pursuant to the Placing Agreement, the Company conditionally allotted the Convertible Bonds convertible into 46,800,000 shares of the Company at the conversion price to Mr. Tsoi. Upon conversion in full, the shareholding represents 5.15% of the existing issued share capital of the Company. As at the Latest Practicable Date, Mr. Tsoi has not converted any Convertible Bond.

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.



### 3. 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).

### 4. 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.

Mr. Lai, an executive Director, has executed a non-competition undertaking in favour of the Company that he shall not and 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. Details are set out in the circular issued on 16 July 2021 by the Company.

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.

### 5. 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.

## 6. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

| Name                       | Qualifications                  |
|----------------------------|---------------------------------|
| Valplus Consulting Limited | Independent professional valuer |

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.

## 7. 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 experts 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.

## 8. 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 loan agreement dated 2 June 2021 and entered into between the Company as lender and Mega Data Investment Limited as borrower in relation to a loan of up to RMB100,000,000 (HK\$ equivalent) in total in two tranches;

- (b) the share option deed dated 2 June 2021 and entered into between the Company and Mr. Lai in relation to the grant of the 100,000,000 options by the Company to Mr. Lai entitling him to subscribe up to 100,000,000 Shares at the subscription price of HK\$0.35 per Share;
- (c) 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 the placing of convertible bonds in the principal amount of 4% coupon unlisted convertible bonds in principal amount of up to US\$8,000,000 with initial conversion price of HK\$0.50 per conversion Share; and
- (d) the Agreement.

## 9. MISCELLANEOUS

- (1) Mr. Ma, an executive Director, is the compliance officer of the Company.
- (2) Ms. Leung Yuk Yi is the company secretary of the Company. She is 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) In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

## 10. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three members, Mr. Chan Wing Kit, Ms. Cao Shao Mu, 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 50, 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.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents are available at the website of the Company at [www.qtbj.com](http://www.qtbj.com) and on the website of the Stock Exchange from the date of this circular up to and including the date of the EGM:

- (a) the Agreement, being the contract pertaining to the transaction disclosed in this circular;
- (b) the valuation report on the Properties as set out in Appendix II of this circular; and
- (c) 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 by way of electronic means (via ZOOM MEETING ONLY) on Tuesday, 12 April 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT**

- (a) the conditional master agreement (the “**Agreement**”) dated 25 January 2022 and entered into between the Company and 東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd.<sup>#</sup>) (the “**Borrower**”) as borrower in relation to, among others, the procurement of pledge of a parcel of land and buildings located at 中國四川省成都市溫江區天府鎮新華大道808號 (unofficially translated as “No. 808 Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC”) (the “**Properties**”) by the Group to assist the Borrower (or its subsidiary) to obtain the financing from state-owned financial institution(s) in the PRC (the “**Bank(s)**”) (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 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 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.”

By order of the Board  
**Zhi Sheng Group Holdings Limited**  
**Ma Gary Ming Fai**  
*Executive Director*

Hong Kong, 25 March 2022

## NOTICE OF EGM

*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

*Notes:*

1. In view of the current COVID-19 situation in Hong Kong, a member of the Company will not be able to attend the EGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the EGM or the company secretary of the Company as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman of the EGM or the company secretary of the Company as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
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, 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 the above meeting or any adjournment thereof via ZOOM MEETING should he so wish.