

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF RIGHT OF USE ASSETS IN RELATION TO FACTORY LEASE AGREEMENT

FACTORY LEASE AGREEMENT

The Board is pleased to announce that on 1 February 2024 (after trading hours), Shangcheng Smart Home (Dongguan) Co., Ltd.* (尚誠智能家居(東莞)有限公司), a company established in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of the Company (as the lessee), entered into the Factory Lease Agreement with Guangdong Newbakers Industrial Co., Ltd.* (廣東新比克斯實業股份有限公司) (as the lessor), being an Independent Third Party, in respect of leasing Property for a lease term of ten years commencing from 1 February 2024 to 31 January 2034 (both days inclusive). The Property shall be handed over before 3 February 2024 and the period commencing from 1 February 2024 to 15 March 2024 is a rent-free period.

Pursuant to HKFRS 16, the Company will recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Property under the Factory Lease Agreement. Therefore, the entering into the Factory Lease Agreement and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group under the GEM Listing Rules. The unaudited value of right-of-use assets to be recognised by the Company under the Factory Lease Agreement amounted to approximately RMB11.6 million.

IMPLICATIONS UNDER THE GEM LISTING RULES

Given the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the transaction contemplated under the Factory Lease Agreement is more than 5% but less than 25%, the transaction contemplated under the Factory Lease Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to notification and announcement requirements but exempted from the circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 1 February 2024 (after trading hours), Shangcheng Smart Home (Dongguan) Co., Ltd.* (尚誠智能家居(東莞)有限公司), a company established in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of the Company (as the lessee), entered into the Factory Lease Agreement with Guangdong Newbakers Industrial Co., Ltd.* (廣東新比克斯實業股份有限公司) (as the lessor), being an Independent Third Party, in respect of leasing Property for a lease term of ten years commencing from 1 February 2024 to 31 January 2034 (both days inclusive), subject to the terms and conditions provided therein.

FACTORY LEASE AGREEMENT

The summary of the principal terms of the Factory Lease Agreement is set out as follows:

Date:	1 February 2024 (after trading hours)
Parties:	(1) Shangcheng Smart Home (Dongguan) Co., Ltd.* (尚誠智能家居(東莞)有限公司), as the lessee (2) Guangdong Newbakers Industrial Co., Ltd.* (廣東新比克斯實業股份有限公司), as the lessor
Property:	Jingshan Industrial Park (industrial land), lot numbers of DN-10, DN-12, dormitory, security room, electrical room and associated open field
Rental area	approximately 10,000 sq.m.
Handover date:	The Property shall be handed over before 3 February 2024
Use of Property:	Property is for industrial production and operation use.

No new buildings and facilities are allowed on the open field of the Property. The Lessee must obtain written permission of the Lessor if the Lessee needs to build new building, the Lessor has the right to charge rent for the newly built area.

The Lessee could sublet part or all of the Property only with the written consent of the Lessor and the sublessees have fulfilled the legal and compliant requirement.

Lease Term: Ten years commencing from 1 February 2024 to 31 January 2034 (both days inclusive) (“**Lease Term**”).

The period commencing from 1 February 2024 to 15 March 2024 is a rent-free period (“**Rent-free Period**”).

The lease term of ten years is determined by considering the benefits of greater operational stability through securing a longer lease term for the Group at a suitable location. Maintaining the Group’s operations on the Property for an extended period is also more cost-efficient as it maximises the utilisation of resources to be invested.

Rent: Rent includes the rent payable to lease the Property, dormitory, security room, electrical room and associated open field is RMB150,000 per month (tax included), which does not include water usage fees, electricity usage fees, payment of workers’ wages, trash fees and other expenses related to business operations. The Lessee should bear the water usage fees, electricity usage fees, payment of workers’ wages, trash fees when operating the Property.

Every three years is an increment cycle, and the rent will increase by 10% based on the previous period. Rent payable (tax included) for each rental period is as follows:

Rental period	Monthly rent payable (RMB)
2024.2.1 to 2027.1.31	150,000
2027.2.1 to 2030.1.31	165,000
2030.2.1 to 2033.1.31	181,500
2033.2.1 to 2034.1.31	<u>199,650</u>
Total	<u><u>20,047,219</u></u>

The monthly rent under the Factory Lease Agreement is determined after arm’s length negotiations between the parties with reference to (i) the prevailing market rent of surrounding comparable properties; (ii) the leasable area; and (iii) the expected rent growth rate.

Payment terms: Starting from 15 May 2024, tax included rent shall be payable monthly before the 15th of each month. The Lessee shall pay the rent in the form of RMB bank transfer or pay to the finance office of the Lessor as agreed in the Factory Lease Agreement.

Rental deposit: The Lessee should pay RMB900,000 (a rental deposit of RMB600,000 being equivalent to four months' rent and a prepayment of RMB300,000 for the rent of first two months of the Lease Term (15 March 2024 to 14 May 2024)) to the Lessor before 5 February 2024.

If the Lessee fails to fulfill its obligations under the Factory Lease Agreement, the Lessor possesses the right to confiscate the rental deposit.

Renewal or termination term: The Lessee shall provide written request to the Lessor on the renewal of the Factory Lease Agreement three months prior to the expiration of the Factory Lease Agreement, then the Lessor shall provide written reply to the Lessee two months prior to the expiration of the Factory Lease Agreement. Under the same conditions, the Lessee enjoys lease priority right. If the Lessor does not receive a written request of lease renewal from the Lessee three months prior to the expiration of the Factory Lease Agreement, it will be deemed to have given up the lease priority right. If both parties agree to renew the Factory Lease Agreement, they shall sign a new factory lease agreement before the expiration of the Factory Lease Agreement.

If the Lessee does not renew the Factory Lease Agreement, the Lessee shall return the Property to the Lessor within five days from the expiration of the Lease Term and the Lessor shall return the rental deposit of RMB600,000 to the Lessee. If the Lessee does not return the Property on time, rent and liquidated damages shall be paid on a daily basis for each day overdue. The daily rent is calculated as one-thirtieth of the previous month's rent before the expiration of the Lease Term, and the liquidated damages are calculated as 1% of the previous month's rent before the expiration of the Lease Term.

The payment of the rent, the rental deposit, prepayment of rent and other relevant expenses will be funded by the internal resources of the Group.

THE RIGHT-OF-USE ASSETS

Pursuant to HKFRS 16, the Company will recognise the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Property under the Factory Lease Agreement. Therefore, the entering into the Factory Lease Agreement and the transaction contemplated thereunder will be regarded as acquisition of assets by the Group under the GEM Listing Rules. The unaudited value of right-of-use assets to be recognised by the Company under the Factory Lease Agreement amounted to approximately RMB11.6 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Factory Lease Agreement. The discount rates of approximately 11.67% per annum are applied to compute the present values of the lease payments under the Factory Lease Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION UNDER THE FACTORY LEASE AGREEMENT

The Directors are of the view that entering into the Factory Lease Agreement is beneficial for the Group's own use in its normal business operation and given the suitability of the Property, which provides sufficient room for the Group's expansion and/or relocation of other operations at other properties leased by the Group. The entering into of the Factory Lease Agreement is in the ordinary and usual course of business of the Group.

The terms of the Factory Lease Agreement were determined after arm's length negotiations between the parties and with reference to the prevailing market price of comparable property in the vicinity of the Property. Therefore, the Directors (including the independent non-executive Directors) consider that the terms of the Factory Lease Agreement and the transaction contemplated thereunder are on normal commercial terms or better and fair and reasonable and the entering into of the Factory Lease Agreement and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Lessor

The Lessor is a company established in the PRC with limited liability which is engaged in, among others, tooling system service creator, product positioning manufacturing equipment supporting tooling products, services in the intelligent manufacturing industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor's controlling shareholder is Zeng Yihua* (曾亦華), who is interested in directly or indirectly 70.19% or more of its equity interest and another ultimate beneficial owner, Zeng Huimei* (曾慧梅) interested in approximately 16.64% of its equity interest. Except as noted above, the remaining ultimate beneficial owners are each interested in less than 2% of its equity interest.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owner(s) (if applicable) are Independent Third Parties.

The Company and the Lessee

The Company is a company incorporated in the Cayman Islands with limited liability. 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 Lessee is a non-wholly-owned subsidiary of the Company and is principally engaged in furniture manufacturing and trading.

IMPLICATIONS UNDER THE GEM LISTING RULES

Given the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the transaction contemplated under the Factory Lease Agreement is more than 5% but less than 25%, the transaction contemplated under the Factory Lease Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to notification and announcement requirements but exempted from the circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Zhi Sheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Factory Lease Agreement”	a Factory Lease Agreement dated 1 February 2024 entered into between Lessor and the Lessee in relation to the lease arrangement of the Property
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKFRS 16”	Hong Kong Financial Reporting Standard 16
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Independent Third Party(ies)”	any person(s) or companies and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company
“Lessee”	Shangcheng Smart Home (Dongguan) Co., Ltd.* (尚誠智能家居(東莞)有限公司), a company established in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of the Company
“Lessor”	Guangdong Newbakers Industrial Co., Ltd.* (廣東新比克斯實業股份有限公司), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Property”	Jingshan Industrial Park (industrial land), lot numbers of DN-10, DN-12, dormitory, security room, electrical room and associated open field
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of the Company
“Shareholder(s)”	holders of the ordinary shares of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

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

Hong Kong, 1 February 2024

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

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

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company’s website at www.qtbj.com.

** For identification purpose only*