

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:

A401, Moore Car Hui

No.68, Julong Road

Wuhou District

Chengdu

Sichuan Province

The People's Republic of China

Independent non-executive Directors:

Mr. Chan Wing Kit

Mr. Lin Xiaodong

Ms. Chan Pui Shan

Principal place of business

in Hong Kong:

Room 1123, 11/F, Star House

3 Salisbury Road

Tsim Sha Tsui

Kowloon, Hong Kong

26 November 2024

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO THE
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EGM**

I. INTRODUCTION

Reference is made to the Announcement in relation to, inter alia, (i) the connected transaction in relation to the Subscription I under Specific Mandate I; and (ii) the Subscription II under Specific Mandate II.

On 21 October 2024 (after trading hours), the Company and the Subscriber I entered into the Subscription Agreement I, pursuant to which, among others, the parties conditionally agreed that the Subscriber I shall subscribe for, and the Company shall allot and issue, the Subscription Shares I at the Subscription Price. On 21 October 2024 (after trading hours), the Company and the Subscriber II entered into Subscription Agreement II, pursuant to which, among others, the Company has conditionally agreed to allot and issue, and the Subscriber II has conditionally agreed to subscribe for, the Subscription Shares II at the Subscription Price.

The circular sets out, among other things, (i) details of the Subscription Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Subscription Agreement I and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement I and the transactions contemplated thereunder; and (iv) a notice convening the EGM.

II. THE SUBSCRIPTION AGREEMENT I

The principal terms of the Subscription Agreement I are as follows:

Date

21 October 2024 (after trading hours)

Parties

The Company and the Subscriber I

Number of Subscription Shares I

The Subscription Shares I represent (i) approximately 36.37% of the total number of issued Shares as at the Latest Practicable Date; (ii) approximately 26.67% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares I; and (iii) approximately 24.31% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares I and Subscription Shares II, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the Completion Date. Based on the closing price of the Shares of HK\$0.70 per Share as at the Latest Practicable Date, the Subscription Shares I have a market value of HK\$23,100,000 and an aggregate nominal value of HK\$3,300,000.

The Subscription Shares I will be allotted and issued under the Specific Mandate I. An application has been made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares I.

Subscription Price

The Subscription Price is HK\$0.30 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares I of HK\$9,900,000 payable by the Subscriber I shall be payable in cash upon completion of the Subscription I.

The Subscription Price represents:

- (i) a discount of approximately 60.53% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 60.63% to the average closing price of HK\$0.762 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 57.14% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a premium of approximately 25.52% over the Group's audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.239 as at 30 June 2024 (based on a total of 90,733,332 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately RMB19,797,000 (equivalent to approximately HK\$21,660,000) as at 30 June 2024);

- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 16.17%, represented by the theoretical diluted price of approximately HK\$0.639 per Share to the benchmarked price of approximately HK\$0.762 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the date of the Subscription Agreement I of HK\$0.76 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Subscription Agreement I of HK\$0.762 per Share); and
- (vi) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 20.10% (the aggregation of the Subscription I and the Subscription II), represented by the cumulative theoretical diluted price of approximately HK\$0.609 per Share to the benchmarked price of approximately HK\$0.762 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the date of the Subscription Agreement I of HK\$0.76 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Subscription Agreement I of HK\$0.762 per Share).

The net Subscription Price (after deduction of all professional fees and related expenses) is estimated to be approximately HK\$0.29 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber I with reference to, among other things, the prevailing market price of the Shares, the market conditions and the funding needs of the Group.

Ranking of the Subscription Shares I

The Subscription Shares I, when allotted and issued, shall rank *pari passu* in all respects among themselves, and with all other existing Shares outstanding on the date of allotment and issue of the Subscription Shares I including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Subscription I.

Conditions Precedent

Completion of the Subscription I is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (a) the Stock Exchange granting the listing of and permission to deal in the Subscription Shares I;
- (b) all necessary consents and approvals required to be obtained by the parties under the Subscription Agreement I in respect of the Subscription Agreement I and the transactions contemplated thereunder, including but not limited to the Subscription I, having been obtained; and
- (c) the passing of necessary resolution(s) at the EGM to be held and convened by the Independent Shareholders to approve the Subscription Agreement I and the transactions contemplated hereunder, including the Specific Mandate I for the allotment and issue of the Subscription Shares I.

None of the conditions set out above may be waived by the Company or the Subscriber I. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Subscription Agreement I shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Subscription Agreement I.

As at the Latest Practicable Date, none of the conditions set out above has been fulfilled. In terms of condition (a), application has been made by the Company to the Stock Exchange for the listing of and permission to deal in the Subscription Shares I.

As completion of the Subscription I is subject to the satisfaction of the conditions precedent in the Subscription Agreement I, the Subscription I may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

III. THE SUBSCRIPTION AGREEMENT II

The principal terms of the Subscription Agreement II are as follows:

Date

21 October 2024 (after trading hours)

Parties

The Company and the Subscriber II

Number of Subscription Shares II

The Subscription Shares II represent (i) approximately 13.23% of the total number of issued Shares as at the Latest Practicable Date; (ii) approximately 11.68% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares II; and (iii) approximately 8.84% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares I and Subscription Shares II, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the Completion Date. Based on the closing price of the Shares of HK\$0.70 per Share as at the Latest Practicable Date, the Subscription Shares II have a market value of HK\$8,400,000 and an aggregate nominal value of HK\$1,200,000.

The Subscription Shares II will be allotted and issued under the Specific Mandate II. An application has been made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares II.

Subscription Price

The Subscription Price is HK\$0.30 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares II of HK\$3,600,000 payable by the Subscriber II shall be payable in cash upon completion of the Subscription II.

The Subscription Price represents:

- (i) a discount of approximately 60.53% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 60.63% to the average closing price of HK\$0.762 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 57.14% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a premium of approximately 25.52% over the Group's audited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.239 as at 30 June 2024 (based on a total of 90,733,332 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately RMB19,797,000 (equivalent to approximately HK\$21,660,000) as at 30 June 2024);

- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 7.08%, represented by the theoretical diluted price of approximately HK\$0.708 per Share to the benchmarked price of approximately HK\$0.762 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the date of the Subscription Agreement II of HK\$0.76 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Subscription Agreement II of HK\$0.762 per Share); and
- (vi) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 20.10% (the aggregation of the Subscription I and the Subscription II), represented by the cumulative theoretical diluted price of approximately HK\$0.609 per Share to the benchmarked price of approximately HK\$0.762 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the date of the Subscription Agreement II of HK\$0.76 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Subscription Agreement II of HK\$0.762 per Share).

The net Subscription Price (after deduction of all professional fees and related expenses) is estimated to be approximately HK\$0.29 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber II with reference to, among other things, the prevailing market price of the Shares, the market conditions and the funding needs of the Group.

Ranking of the Subscription Shares II

The Subscription Shares II when allotted and issued, shall rank *pari passu* in all respects among themselves, and with all other existing Shares outstanding on the date of allotment and issue of the Subscription Shares II including all dividends declared or payable or distribution made or proposed on or after the date of completion of the Subscription II.

Conditions Precedent

Completion of the Subscription II is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (a) the Stock Exchange granting the listing of and permission to deal in the Subscription Shares II;

- (b) all necessary consents and approvals required to be obtained by the parties under the Subscription Agreement II in respect of the Subscription Agreement II and the transactions contemplated thereunder, including but not limited to the Subscription II, having been obtained; and
- (c) the passing of necessary resolution(s) at the EGM to be held and convened by the Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules and other applicable rules and regulations to approve the Subscription Agreement II and the transactions contemplated hereunder, including the Specific Mandate II for the allotment and issue of the Subscription Shares II.

None of the conditions set out above may be waived by the Company or the Subscriber II. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Subscription Agreement II shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Subscription Agreement II.

As at the Latest Practicable Date, none of the conditions set out above has been fulfilled. In terms of condition (a), application has been made by the Company to the Stock Exchange for the listing of and permission to deal in the Subscription Shares II.

As completion of the Subscription II is subject to the satisfaction of the conditions precedent in the Subscription Agreement II, the Subscription II may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

IV. LOCK-UP UNDERTAKINGS

Each of the Subscribers undertakes to and covenants with the Company that, without the prior written consent of the Company, it shall not, and shall procure the registered owner or nominee of the Subscription Shares (if applicable) not to, at any time during a period commencing on the Completion Date and ending on the date which is twelve (12) months from the Completion Date (both dates inclusive), offer, pledge, charge, sell, contract to sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances), either directly or indirectly, conditionally or unconditionally, any of the Subscription Shares or any part thereof or any interest therein.

V. INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sale of furniture products and sells its products to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City, the Tibet Autonomous Region and Guizhou Province, and the data centre business in the PRC.

The Subscriber I

The Subscriber I is a company incorporated in the British Virgin Islands with limited liability and an investment holding company which is wholly-owned by Mr. Lai. The Subscriber I principally invests in data centre business in the PRC through 固安福愛電子有限公司 (Gu'an Fu'ai Electronics Co., Ltd.*), an indirect subsidiary of a joint venture company partially owned by the Subscriber I through special purpose vehicle companies.

As at the Latest Practicable Date, Mr. Lai is an executive Director and the holder of 10,000,000 share options granted by the Company on 2 August 2021 under the share option deed of the Company dated 2 June 2021. None of the outstanding options have been exercised as at the Latest Practicable Date.

The Subscriber II

The Subscriber II is a company incorporated in Hong Kong with limited liability which is wholly-owned by Mr. Zhang Ditang, and is principally engaged in trading of furniture.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Subscriber II and its ultimate beneficial owner and associates is an Independent Third Party.

VI. REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

References are made to the announcements of the Company dated 3 January 2024, 2 September 2024 and the circular of the Company dated 22 January 2024 in relation to, among others, the issue of the 2024 Convertible Bonds. As stated in the announcement of the Company dated 2 September 2024, the maturity date of the 2024 Convertible Bonds falls on 19 February 2025 and the amendments of the terms of the 2024 Convertible Bonds, particularly the shortening of the maturity date, are principally to comply with applicable PRC laws, rules and regulations and in connection with certain filing/registration requirements applicable to the 2024 Convertible Bonds. At the material time, the Board believed that such amendments would not pose any significant impact on the operations of the Group after preliminary discussions with the existing bondholders on their willingness to change the maturity date and to consider renewal of the bonds by the time of maturity taking into account the financial conditions of the Group. However, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, one of the bondholders of 2024 Convertible Bonds in the principal amount of HK\$9.92 million (“**Bondholder A**”) has indicated to the Company after the aforesaid amendment of terms that, after reconsidering the renewal issue given the maturity date of the 2024 Convertible Bonds is approaching, it does not intend to agree with the renewal or extension of the maturity date of the 2024 Convertible Bonds, or subscribe for a new convertible bonds in the same principal amount from the Company after the maturity date of the 2024 Convertible Bonds. The Directors are unable to ascertain the reasons for the change of intentions of the Bondholder A.

In addition, according to the annual report of the Company for the year ended 30 June 2024, the Group recorded net current assets of approximately RMB6.5 million, which was a substantial decrease as compared with RMB18.3 million as at 30 June 2023. Although the Group had cash and cash equivalents of approximately RMB22.1 million as at 30 June 2024, over 88% of which were denominated in RMB and owned by the subsidiaries of the Company established and operating in the PRC. The disposal of such cash resources maintained by the PRC subsidiaries out of the PRC are subject to the PRC’s Foreign Exchange Control Regulations, thus there are difficulties for the Group in remitting those cash reserves out of the PRC for repaying the 2024 Convertible Bonds. Besides, the Directors consider it more beneficial for the Group to retain its internal cash resources to support the Group’s daily operation.

The Board also believes that based on the reasons set out above, the Subscription II provides an opportune moment for raising the requisite funds to cater for the possible scenario where the relevant bondholder of the remaining principal amount of the 2024 Convertible Bonds may not agree with renewal given the recent redemption request of the Bondholder A, and to ensure sufficient funds will be available for the full redemption of the 2024 Convertible Bonds by the time of maturity (i.e. 19 February 2025). Hence, the Group has imminent funding needs in Hong Kong.

Further, the Company considers that the Subscriptions would expand the Company's capital base and the subsequent redemption of all or part of the 2024 Convertible Bonds can reduce the liabilities of the Company, which together will lead to a healthier financial position of the Company and in turn strengthen its financial position and debt financing capability in the long run.

The gross proceeds from the Subscriptions will be HK\$13.5 million. The net proceeds from the Subscriptions, after deduction of relevant legal and advisory costs, is estimated to be approximately HK\$12.9 million. Assuming both the Subscription I and the Subscription II are completed, the Company intends to apply the aggregate net proceeds of (i) HK\$12.4 million for the repayment of the 2024 Convertible Bonds which will mature on 19 February 2025; and (ii) approximately HK\$0.5 million as the general working capital of the Group. In the event that any one of the Subscriptions have been voted down, the net proceeds is estimated to be approximately HK\$9.3 million (in the case of the Subscription II being voted down only) or HK\$3.0 million (in the case of the Subscription I being voted down only), respectively, which will be applied for the partial repayment of the 2024 Convertible Bonds after deducting the costs incurred in the Subscriptions of approximately HK\$0.6 million. The Board considers that the Subscriptions represent a good opportunity to reduce the indebtedness of the Group.

The Board has also considered other fund-raising methods including bank borrowing, rights issue and open offer. In order to raise funds in a timely manner and prevent possible leakage of price sensitive information, the Board was of the view that the Company should be acting prudently and selectively when approaching the financial institution and brokerage firms. As such, in assessing the possible fund-raising methods, the Company had shortlisted and finally approached one financial institution for the possibility of granting new bank loan or facilities, and two brokerage firms for the feasibility of acting as placing agent or underwriter in equity related fund raising exercises, such as rights issue or open offer, of the Company. The said financial institution and brokerage firms are specialised in fund raising activities of, and offering loans or facilities to, listed companies of similar size of the Company, respectively. However, negative responses were received from them, which are in line with the recent poor market sentiments, and together with the lack of certainty of the outcome of rights issue and open offer since the two existing Shareholders, including Sun Universal Limited and Brilliant Talent Global Limited, which hold over 37% equity interest in the Company in aggregate, have indicated to the Company that they do not intend to participate in any potential rights issue or open offer exercise of the Company, the Directors believe that the Subscriptions are therefore the most feasible alternative available for the Company and are in the best interests of the Company and the Shareholders as a whole.

The Subscription Price represents a deep discount of over 60% to the closing price of the Share on the Last Trading Day. Given the negative responses received from the financial institution, brokerage firms and existing Shareholders as mentioned above, the Board has tried its best to negotiate with the Subscribers to obtain the best available terms for the Subscriptions. Taking into account (i) the loss making financial performance of the Group over the past few years, (ii) the funding needs of the Group for repaying the 2024 Convertible Bonds upon its maturity in February 2025 given the payment request from the Bondholder A, possible payment request from the remaining bondholder and the aforesaid foreign exchange control in the PRC, (iii) the negative market responses on the Company's fund raising exercises as mentioned above which might be due to the prevailing volatile stock market in Hong Kong, and (iv) the Subscription Price was determined after arms-length negotiation between the Company and the Subscribers after considering, among others, the lock-up undertaking of 12 months which the Subscribers are willing to accept to demonstrate their commitment to support the business of the Group, and the closing price of the Shares which hit HK\$0.25 in August 2024, the Board considered that the deep discount as represented by the Subscription Price is the best available terms that the Company could obtain and is fair and reasonable.

Taking into account that (i) the aforesaid negative responses on equity funding raising exercises of the Company; (ii) bank borrowing may increase the interest burden of the Group, and (iii) rights issue and open offer are comparably time and cost consuming as preparation and publication of listing document, prospectus and/or application form are required, and the acceptance level is uncertain given the generally thin trading liquidity of the Group over the past years, the Board considers that notwithstanding the deep discount to the recent trading price of the Shares as represented by the Subscription Price and the potential dilution effect which will arise from the Subscriptions, the Subscriptions are more desirable to the Group.

The Directors (including the independent non-executive Directors whose view is expressed in "Letter from the Independent Board Committee" of this circular after considering the opinion of the Independent Financial Adviser) consider that the terms of the Subscription Agreement I are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider that the terms of the Subscription Agreement II are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The completion of the Subscription I and Subscription II are not inter-conditional upon each other. Further announcement will be made by the Company as necessary in accordance with the GEM Listing Rules in case of any change of use of proceeds.

Should either or both of the Subscriptions are voted down by the Shareholders, the Company may consider to issue Shares for subscription under general mandate or issue an interest-bearing convertible bonds. However, as at the Latest Practicable Date, the Company has no concrete plan formulated, no concrete terms agreed and has not entered into any agreement, arrangement, understanding or undertaking with financial institutions. Based on the reasons for entering into the Subscriptions as detailed above, the Subscriptions are the best options available in the circumstances to address the Company's current funding needs.

VII. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below the details of the equity fund raising activity of the Company conducted in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds	Intended use of the net proceeds	Actual use of proceeds
3 January 2024 and 2 September 2024	Subscription of convertible bonds (i.e. 2024 Convertible Bonds)	HK\$12.4 million	Setting off all outstanding amount payable by the Company to Billion Eggs Limited and Rock Link Limited for the outstanding convertible bonds issued by the Company on 15 January 2020	Fully applied as intended

VIII. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following is a table illustrating the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Subscription I only; (iii) immediately after completion of the Subscription II only; and (iv) immediately after completion of the Subscription I and Subscription II, assuming that there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) between the Latest Practicable Date and the Completion Date:

	(i) As at the Latest Practicable Date		(ii) Immediately after completion of the Subscription I only		(iii) Immediately after completion of the Subscription II only		(iv) Immediately after completion of the Subscription I and Subscription II	
	Shares	%	Shares	%	Shares	%	Shares	%
Sun Universal Limited (Note 1)	26,330,040	29.02	26,330,040	21.28	26,330,040	25.63	26,330,040	19.40
Brilliant Talent Global Limited (Note 2)	8,040,000	8.86	8,040,000	6.50	8,040,000	7.83	8,040,000	5.92
The Subscriber I (Note 3)	–	–	33,000,000	26.67	–	–	33,000,000	24.31
The Subscriber II	–	–	–	–	12,000,000	11.68	12,000,000	8.84
Other public Shareholders	56,363,292	62.12	56,363,292	45.55	56,363,292	54.86	56,363,292	41.53
Total	90,733,332	100.00	123,733,332	100.00	102,733,332	100.00	135,733,332	100.00

Notes:

1. The entire issued share capital of Sun Universal Limited is owned by Mr. Ma Gary Ming Fai, an executive Director. Mr. Ma Gary Ming Fai is deemed to be interested in the Shares held by Sun Universal Limited for the purpose of Part XV of the SFO.
2. The entire issued share capital of Brilliant Talent Global Limited is owned by Ms. Zhang Gui Hong who is the spouse of Mr. Yi Cong, an executive Director.
3. The Subscriber I is wholly and beneficially owned by Mr. Lai.
4. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

IX. GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber I is wholly and beneficially owned by Mr. Lai, who is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription I constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

As Mr. Lai is considered to have a material interest in the Subscription I and the transactions contemplated thereunder, he had abstained from voting on the Board resolution(s) of the Company to approve the Subscription Agreement I and the transactions contemplated thereunder.

None of the Directors has a material interest in the Subscription Agreement II and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

X. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription Agreement I are on normal commercial terms or better and fair and reasonable, whether the Subscription I is in the interests of the Company and its shareholders as a whole and as to how to vote at the EGM. Diligent Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

XI. EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Subscription Agreements and the transactions contemplated thereunder and the grant of the Specific Mandates for the allotment and issue of the Subscription Shares.

To the best of the knowledge, information and belief of the Directors, no existing Shareholder has a material interest in the transactions contemplated under the Subscription Agreement I and no Shareholder is required to abstain from voting on the resolution(s) to approve the Subscription Agreement I and the transactions contemplated thereunder at the EGM.

To the best of the knowledge, information and belief of the Directors, no existing Shareholder has a material interest in the transactions contemplated under the Subscription Agreement II and no Shareholder is required to abstain from voting on the resolution(s) to approve the Subscription Agreement II and the transactions contemplated thereunder at the EGM.

A notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular. The resolution(s) in relation to (i) the Subscription Agreement I and the transactions contemplated thereunder (including the grant of the Specific Mandate I) will be put to vote by the Independent Shareholders at the EGM by way of poll, and (ii) the Subscription Agreement II and the transactions contemplated thereunder (including the grant of the Specific Mandate II) will be put to vote by the Shareholders at the EGM by way of poll, pursuant to Rule 17.47(4) of the GEM Listing Rules.

Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. The completion and return of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

XII. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 10 December 2024 to Friday, 13 December 2024, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the

Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 December 2024.

XIII. RECOMMENDATION

The Directors (including the independent non-executive Directors whose view is expressed in "Letter from the Independent Board Committee" of this circular after considering the opinion of the Independent Financial Adviser) consider that the terms of the Subscription Agreement I and the transactions to be contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

The Directors consider that the terms of the Subscription Agreement II and the transactions to be contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

XIV. GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information of the Group set out in the Appendix to this circular.

Completion of the Subscriptions are subject to the satisfaction of the conditions precedent in the Subscription Agreements, and the Subscriptions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
Zhi Sheng Group Holdings Limited



Ma Gary Ming Fai
Executive Director

* *For identification purposes only*