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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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## ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8370)**

**(1) 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**

**Financial Adviser to the Company**



**Capital 9 Limited**

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



**DILIGENT  
CAPITAL**

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-23 of this circular. A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held on Friday, 13 December 2024 at 11:00 a.m. at Unit 1603B, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

*This circular will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” for at least 7 days from the date of its posting and on the Company’s website at [www.qtbgi.com](http://www.qtbgi.com).*

26 November 2024

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## CHARACTERISTICS OF GEM

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**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.**

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## DEFINITIONS

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

“2024 Convertible Bonds”	the zero coupon convertible bonds issued by the Company on 26 February 2024 in the aggregate principal amount of HK\$12,400,000, details of which are set out in the announcements of the Company dated 3 January 2024, 2 September 2024 and the circular of the Company dated 22 January 2024
“Announcement”	the announcement of the Company dated 21 October 2024 in relation to the Subscriptions
“associate”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“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
“Completion”	completion of the Subscriptions
“Completion Date”	within five Business Days following the day on which all the conditions precedents pursuant to the Subscription Agreements are satisfied in full, or such other date as the Company and the Subscribers may agree in writing
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened at Unit 1603B, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong on Friday, 13 December 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Subscription Agreements and the transactions contemplated thereunder (including the grant of the Specific Mandates for the allotment and issue of the Subscription Shares)
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Diligent Capital”	Diligent Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement I and the transactions contemplated thereunder (including the granting of the Specific Mandate I)
“Independent Shareholders”	the Shareholders other than those who are required to abstain under the GEM Listing Rules from voting at the EGM for the resolution(s) approving the Subscription Agreement I and the transactions contemplated thereunder (including the grant of the Specific Mandate I)
“Independent Third Party(ies)”	the individual(s) or company(ies) which is/are not connected with any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates and is/are independent of the Company
“Last Trading Day”	21 October 2024, being the date of the Subscription Agreements

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## DEFINITIONS

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“Latest Practicable Date”	25 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Long Stop Date”	30 April 2025 or such other date may be agreed by the Company and the Subscribers
“Mr. Lai”	Mr. Lai Ningning, an executive Director
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (cap 571 of the laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate I”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares I
“Specific Mandate II”	the specific mandate to be sought from the Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares II
“Specific Mandates”	collectively, Specific Mandate I and Specific Mandate II
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber I”	Lightning Cloud Ltd., a company incorporated in the British Virgin Islands with limited liability
“Subscriber II”	Z Living International Company Limited, a company incorporated in Hong Kong with limited liability
“Subscribers”	collectively, Subscriber I and Subscriber II

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## DEFINITIONS

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“Subscription I”	the subscription of the Subscription Shares I by the Subscriber I in accordance with the terms and conditions of the Subscription Agreement I
“Subscription II”	the subscription of the Subscription Shares II by the Subscriber II in accordance with the terms and conditions of the Subscription Agreement II
“Subscription Agreement I”	the subscription agreement dated 21 October 2024 entered into between the Company and the Subscriber I in relation to the Subscription I
“Subscription Agreement II”	the subscription agreement dated 21 October 2024 entered into between the Company and the Subscriber II in relation to the Subscription II
“Subscription Agreements”	collectively, Subscription Agreement I and Subscription Agreement II
“Subscription Price”	HK\$0.30 per Subscription Share
“Subscription Shares I”	an aggregate of 33,000,000 new Shares to be subscribed by the Subscriber I pursuant to the Subscription Agreement I
“Subscription Shares II”	an aggregate of 12,000,000 new Shares to be subscribed by the Subscriber II pursuant to the Subscription Agreement II
“Subscription Shares”	collectively, Subscription Shares I and Subscription Shares II
“Subscriptions”	collectively, Subscription I and Subscription II
“%”	per cent

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**LETTER FROM THE BOARD**

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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)**

*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**



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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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### **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);

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## LETTER FROM THE BOARD

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- (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.

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## LETTER FROM THE BOARD

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### 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

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## LETTER FROM THE BOARD

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### 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);

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## LETTER FROM THE BOARD

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- (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;

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## LETTER FROM THE BOARD

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- (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.

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## LETTER FROM THE BOARD

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### 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.



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## LETTER FROM THE BOARD

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### 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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

## LETTER FROM THE BOARD

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
<b>Total</b>	<b>90,733,332</b>	<b>100.00</b>	<b>123,733,332</b>	<b>100.00</b>	<b>102,733,332</b>	<b>100.00</b>	<b>135,733,332</b>	<b>100.00</b>

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## LETTER FROM THE BOARD

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*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.

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## LETTER FROM THE BOARD

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### **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

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## LETTER FROM THE BOARD

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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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

### ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8370)**

26 November 2024

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular dated 26 November 2024 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement I and the transactions contemplated thereunder (including the grant of the Specific Mandate I) are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the EGM, after taking into account the recommendation of the Independent Financial Adviser.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser contained in, and the additional information set out in the appendix to, the Circular.

Having considered the terms of the Subscription Agreement I and the advice from the Independent Financial Adviser, we consider that despite the Subscription I is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole, and the terms of the Subscription Agreement I and the transactions contemplated thereunder (including the grant of the Specific Mandate I) are on normal commercial terms and fair and reasonable.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) in respect of the Subscription Agreement I and the Specific Mandate I to be proposed at the EGM.

Yours faithfully,  
Independent Board Committee

**Mr. Chan Wing Kit**  
*Independent*  
*non-executive Director*

**Mr. Lin Xiaodong**  
*Independent*  
*non-executive Director*

**Ms. Chan Pui Shan**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of 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 (including the grant of the Specific Mandate for the issue and allotment of the Subscription Shares I) which has been prepared for the purpose of inclusion in this circular.*



Room 2203, 22/F  
New World Tower 1  
16-18 Queen's Road Central, Hong Kong

26 November 2024

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

Dear Sirs and Madams,

### CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE I

#### INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to make recommendations to the independent board committee and the independent shareholders of Zhi Sheng Group Holdings Limited (the “**Company**”) in respect of the Subscription Agreement I and the transactions contemplated thereunder (the “**Transaction**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to its Shareholders dated 26 November 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed under the section headed “Definition” in the Circular.

#### The Subscription I

Reference is made to the announcement of the Company dated 21 October 2024 in relation to, among others, the Subscription I.

On 21 October 2024, the Company and the Subscriber I entered into the Subscription Agreement I, pursuant to which 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the avoidance of doubt, the completion of the Subscription I and the Subscription II are not inter-conditional upon each other.

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.

### **GEM Listing Rules Implications**

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

Mr. Lai is deemed to have a significant interest in Subscription I and the related transactions. Therefore, he has abstained from voting on the Board resolution(s) of the Company that approved the Subscription Agreement I and the transactions contemplated thereunder.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Chan Pui Shan, and Mr. Lin Xiaodong, has been established to consider and 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, and are in the interests of the Company and its shareholders as a whole and to advise the Independent Shareholders as to how to vote at the EGM.

### **THE INDEPENDENT FINANCIAL ADVISER**

We, Diligent Capital Limited (“**Diligent Capital**”), have been appointed and approved by the Independent Board Committee for the purpose of the GEM Listing Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreement I are on normal commercial terms or better and fair and reasonable, and are in the interests of the Company and its shareholders as a whole and to advise the Independent Shareholders as to how to vote at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

Diligent Capital is a licensed corporation licensed under the Securities and Futures Ordinance (the “SFO”) to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Huen Felix Ting Cheung (“**Mr. Huen**”) is signing off the opinion letter from Diligent Capital contained in the Circular. Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2019, and he has participated in and completed various independent financial advisory transactions in Hong Kong.

During the past two years immediately preceding the Latest Practicable Date, Diligent Capital was engaged as the independent financial adviser to the Company, providing advice on the assessment and calculation of adjustments to the share options granted by the Company (details of which were set out in the Company’s announcement dated 9 February 2024). Save for the aforesaid engagement, Diligent Capital has not provided any other services to the Company. We confirmed that there is no relationship or interest between Diligent Capital and the Company or any other parties that could reasonably be regarded as a hindrance to Diligent Capital’s independence as set out under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Transaction.

We are not associated with and have no significant connection, financial or otherwise, with the Company, its subsidiaries, its associates, or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 17.96 of the GEM Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement and will not affect our independence to act as the Independent Financial Adviser, we are eligible to give independent advice on the Subscription Agreement I and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue and allotment of the Subscription Shares I).

### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement I and the transactions contemplated thereunder (including the grant of the Specific Mandate for the issue and allotment of the Subscription Shares I), we have relied on the information, facts and representations contained in or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) the annual report of the Company for the year ended 30 June 2024; (ii) the Subscription Agreement I; (iii) the Circular; and (iv) market information obtained from the website of the Stock Exchange. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Subscription I, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription I and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### **1. Background of the Transaction**

On 21 October 2024, the Company and the Subscriber I entered into the Subscription Agreement I.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## *1.1 Information of the Company and the Group*

The Company is incorporated in the Cayman Islands with limited liability, and the issued Shares are listed on GEM. The Company is an investment holding company and the holding company of the Group.

### *1.1.1 Principal business of the Group*

The Group is principally engaged in the manufacturing and selling of furniture products, primarily serving the domestic market in the PRC, where a substantial proportion of its sales is generated in Sichuan Province, Chongqing City, and Guizhou Province, along with its data centre operations within the PRC.

### *1.1.2 Financial information of the Group*

Set out below are the audited consolidated financial information of the Group for the two years ended 30 June 2023 (“FY2023”) and 30 June 2024 (“FY2024”) as extracted from the annual report of the Company for FY2024 (“2023/24 Annual Report”).

#### *Summary of the Group’s financial performance for the indicated period below*

	<b>For the years ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>
	(audited)	(audited)
<b>Revenue</b>		
Sale of furniture products	37,124	48,255
Information technology management service	438	1,607
Internet access connection service	211	279
Data centre operating and security service	170	85
Buildout management service	–	38,928
Rental of server racks	19,533	21,677
	<hr/>	<hr/>
<b>Total revenue</b>	<b>57,476</b>	<b>110,831</b>
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>For the years ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<b>Gross profit</b>	<b>3,685</b>	<b>10,824</b>
<b>(Loss) for the year</b>	<b>(38,911)</b>	<b>(79,196)</b>
<b>(Loss) attributable to the Shareholders</b>	<b>(38,469)</b>	<b>(79,196)</b>

As noted above, the Group recorded revenue of approximately RMB57.5 million for FY2024, representing a decrease of approximately 48.1% compared to the revenue of approximately RMB110.8 million for FY2023. This decrease was primarily attributed to the absence of new buildout management projects initiated for FY2024. Consequently, no revenue was recognised from buildout management projects in FY2024, whereas approximately RMB38.9 million was generated from that segment in FY2023. Furthermore, as a result of these factors, the Group's gross profit margin decreased from approximately 9.8% in FY2023 to approximately 6.4% in FY2024.

The Group reported a loss attributable to the Shareholders of approximately RMB38.5 million for FY2024, representing a significant improvement compared to the loss of approximately RMB79.2 million for FY2023. This loss reduction was primarily attributable to a decrease in the Group's administrative and other expenses, along with a significant reduction in impairment loss on assets and investment losses related to wealth management products. Additionally, financing costs decreased by approximately RMB2.5 million year-on-year, contributing to the overall reduction in losses.

### *Summary of the Group's financial position as at the dates below*

	<b>As at 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<b>Non-current assets</b>	34,355	29,091
<b>Current assets</b>		
Inventories	13,984	10,338
Contract assets	676	11,587

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Trade, lease and other receivables	18,073	39,304
Loan receivables	–	50,000
Cash and cash equivalents	22,076	33,761
	<u>          </u>	<u>          </u>
<b>Total current assets</b>	<b>54,809</b>	<b>144,990</b>
	<u>          </u>	<u>          </u>
<b>Total assets</b>	<b>89,164</b>	<b>174,081</b>
<b>Current liabilities</b>		
Current liabilities	2,932	3,971
Trade and other payables	43,410	39,614
Lease liabilities	537	3,739
Convertible bonds	–	77,899
Tax payable	1,407	1,509
	<u>          </u>	<u>          </u>
<b>Total current liabilities</b>	<b>48,286</b>	<b>126,732</b>
	<u>          </u>	<u>          </u>
<b>Non-current liabilities</b>		
Lease liabilities	11,099	–
Convertible bonds	9,444	–
	<u>          </u>	<u>          </u>
<b>Total non-current liabilities</b>	<b>20,543</b>	<b>–</b>
	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<b>68,829</b>	<b>126,732</b>
	<u>          </u>	<u>          </u>
<b>Net assets</b>	<b>20,335</b>	<b>47,349</b>
	<u>          </u>	<u>          </u>

As of 30 June 2024, the Group's total assets were primarily composed of (i) goodwill arising from the acquisition of Polyqueue Limited, a company involved in the data centre business, which was completed on 15 January 2020; (ii) accounts receivables; (iii) inventories; and (iv) cash and cash equivalents.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As noted above, the Group's total assets experienced a decline from approximately RMB174 million as of 30 June 2023 to approximately RMB89.2 million as of 30 June 2024. This decrease was primarily due to (i) a reduction in contract assets amounting to approximately RMB10.9 million, (ii) a decrease in prepayments for material purchases by approximately RMB14.6 million, and (iii) a decline in trade and lease receivables of approximately RMB4.0 million.

As of 30 June 2024, the Group's total liabilities comprised trade and other payables, lease liabilities, and convertible bonds. As noted above, the total liabilities decreased from approximately RMB126.7 million as of 30 June 2023 to approximately RMB68.8 million as of 30 June 2024. This decline was attributed to two main factors: (i) a decrease in contract liabilities within the furniture manufacturing and sales segment, resulting from the collection of advance payments related to newly signed sales contracts; and (ii) a redemption of convertible loan notes totalling US\$8 million at maturity, issued by the Company on 6 August 2021.

Furthermore, the non-current liabilities consist of convertible bonds issued by the Company on 26 February 2024, with a principal amount totalling HK\$12.4 million. The maturity date for these bonds is set for 19 February 2025 (the “**2024 Convertible Bonds**”).

### *1.2 Information of the Subscriber I*

The Subscriber I is a company incorporated in the British Virgin Islands with limited liability and an investment holding company 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 of the Latest Practicable Date, Mr. Lai is an executive Director and holds 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 these outstanding options have been exercised as of the Latest Practicable Date.

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Mr. Lai has extensive experience in the data centre industry, having worked for several years at 21Vianet Group Inc. (a private, carrier-neutral Internet and data center service provider in the PRC) until 2017, where he served as the general manager of the network department and senior vice president. In 2017, he became one of the shareholders of Beijing Haokuan Network Technology Co., Ltd. (北京皓寬網絡科技有限公司). Additionally, Mr. Lai has gained substantial management experience by overseeing the data centre business and his roles in various technology companies.

As of the Latest Practicable Date, Mr. Lai acts as a director and one of the shareholders of both Beijing Haokuan and Haokuan Hebei Network Technology Co., Ltd.\* (皓寬河北網絡科技有限公司), which are established technology firms in the PRC engaging in data centre business. His industry expertise and management experience are regarded as valuable assets for the future development of the Group's data centre business.

### **2. Reasons for and benefits of the Subscription I and the intended use of proceeds**

As set out in the Letter, the gross proceeds from the Subscription I are approximately HK\$9.9 million, with net proceeds (after deduction of relevant legal and advisory costs) estimated at approximately HK\$9.3 million. The Board intends to apply the net proceeds from Subscription I to fulfill the repayment obligation for the 2024 Convertible Bonds.

#### **2.1 The Board's view**

As set out in the Letter, the Board considers that the Subscription I represents a good opportunity to reduce the indebtedness of the Group.

As mentioned above, the maturity date of the 2024 Convertible Bonds is set for 19 February 2025, and the amendments to the terms of the 2024 Convertible Bonds, particularly the shortening of the maturity date, are to comply with applicable 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 inquiries, one of the bondholders of 2024 Convertible Bonds in the principal amount of HK\$9.92 million, 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 new convertible bonds in the same principal amount from the Company after the maturity date of the 2024 Convertible Bonds.

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Furthermore, as of 30 June 2024, the Group has cash and cash equivalents totalling approximately RMB22.1 million, with over 88% of which were denominated in RMB. These funds are held by the Company's subsidiaries operating in the PRC. However, transferring these cash resources out of the PRC is subject to restrictions imposed by the PRC's Foreign Exchange Control Regulations, which poses challenges for the Group in repatriating funds out of the PRC to repay the 2024 Convertible Bonds. Additionally, the Directors have determined that it is more beneficial for the Group to retain its internal cash resources to support ongoing operational needs. As a result, the Group is currently facing immediate funding requirements in Hong Kong.

Further, the Company considers that the Subscriptions (including Subscription I) 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 better financial position of the Company and in turn strengthen its financial position and debt financing capability in the long run.

### **2.2 *Our view***

We have reviewed the consolidated financial statements of the Group for FY2024 and identified a significant concern regarding the availability of cash and cash equivalents in HK\$ for fulfilling the redemption requirements of the 2024 Convertible Bonds upon maturity. This issue is further complicated by the difficulties in transferring RMB from the Group's main operating subsidiaries, which could affect its daily business operations.

Furthermore, we have received information from the Directors indicating that one of the bondholders of 2024 Convertible Bonds, with a principal amount of HK\$9.92 million, has informed the Company that it does not agree with the renewal or extension of the maturity date of the 2024 Convertible Bonds. Additionally, such bondholder has stated that it will not subscribe to new convertible bonds of the same principal amount from the Company after the maturity date of the 2024 Convertible Bonds. As a result, such bondholder prefers a cash settlement at maturity instead of exercising its conversion rights.

In order to ensure sufficient liquidity for meeting the repayment obligations of the 2024 Convertible Bonds and to prevent any potential issues related to the Group's ongoing viability, we concur with the Directors' recommendation to initiate a fund-raising exercise. This would aim to secure the necessary funds for repayment and alleviate the liquidity pressures faced by the Group during its business operations.

### **2.3 *Alternative fund-raising methods***

We have discussed with the Directors and understand that the Board has considered other fund-raising methods including bank borrowing, placing of shares/convertible bonds, rights issue and open offer before resolving to the Subscriptions.

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The Board has assessed that (i) bank borrowing may incur relatively high financing cost, which would increase the Group's interest burden, and (ii) both rights issues and open offer involve considerable time and costs, as they necessitate the preparation and publication of listing documents, prospectuses, and/or application forms. Moreover, the acceptance levels for these approaches are uncertain, particularly in light of the Group's historically limited trading liquidity. Consequently, the Board has concluded that, despite the potential dilution effects associated with the Subscriptions, they represent a more favorable option, given the factors mentioned above and the urgent funding requirements of the Group.

Considering the factors mentioned, we believe that the Subscriptions are generally a more suitable option for raising additional capital for the Company for the following reasons:

- (i) less documentation is typically required for subscription than rights issue or open offer;
- (ii) the process of arranging a subscription generally requires less time compared to that of a rights issue or an open offer. Typically, the procedures for a rights issue or an open offer span around three months. This duration encompasses several steps that are generally not necessary for a placing or subscription. These steps include engaging auditors and overseas legal advisers to prepare arrangement and comfort letters, obtaining overseas legal opinions, and verifying and registering the prospectus. Additionally, it involves managing the commencement and closing of the offer period. In contrast, the procedures associated with a subscription are estimated to take approximately two months, subject to the vetting process of the draft circular;
- (iii) it may be challenging for the Company to engage and secure underwriters and/or placing agents. In fact, the Company had shortlisted and finally approached two brokerage firms to assess the feasibility of acting as placing agents for the possible placement of shares or convertible bonds or underwriters for the possible rights issue or open offer, however, negative responses were received. This is due to several factors, including the current trading volume and liquidity of the Shares and ongoing financial losses of the Company. Additionally, there are uncertainties regarding shareholder participation in these initiatives. In addition, two Shareholders, namely Sun Universal Limited and Brilliant Talent Global Limited, collectively holding over 37% equity interest in the Company in aggregate, have expressed their intention not to participate in any potential rights issue or open offer exercise of the Company. Moreover, the transaction volumes observed on most trading days are considerably low, further complicating the matter; and

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- (iv) the placing of shares shall incur additional placing commission, while placing of convertible bonds shall inevitably impose interest payment obligations on the Group.

When evaluating debt financing options, several critical considerations should be addressed: (i) engaging in debt financing may result in increased financial costs and a higher gearing level, which could impose additional financial pressure on the Group; (ii) debt financing typically involves the pledge of assets and/or securities, which may restrict the Group's ability to effectively manage and deploy its assets, thereby limiting operational flexibility; and (iii) the process often entails extensive due diligence and negotiations, making it both uncertain and time-consuming to secure borrowings at acceptable finance costs with favorable terms and conditions.

Upon careful consideration of the aforementioned concerns related to debt financing and the various factors associated with fundraising activities, we recognise that the net proceeds from the Subscription I will significantly enhance the Group's cash position. In light of this, we concur with the Company's perspective and conclude that the current fund-raising method by way of the Subscriptions (including the Subscription I), is appropriate and acceptable for the Company.

In addition to the considerations mentioned above, we recognize that Mr. Lai, the ultimate beneficial owner of Subscriber I and the executive Director, as a key management in leading the development of the Group's data center business. Engaging Mr. Lai as a shareholder of the Company may strengthen the alignment of interests toward the long-term and sustainable growth of the organization.

Furthermore, the Subscriber I undertakes to and covenants with the Company that, without the prior written consent of the Company, it should 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 I or any part thereof or any interest therein (the "**Lock-up Undertaking**"). This Lock-up Undertaking indicates a commitment to ongoing support and alignment of interests with the Company, which is crucial for ensuring the Group's stability and continued success. After thoroughly evaluating these factors, we concur that the Subscriptions (including the Subscription I) represent a viable financing strategy that aligns with the interests of both the Company and its Shareholders.

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### 3. Principal terms of the Subscription Agreement I

Set out below are the principal terms of the Subscription Agreement I, with further details set out in the Letter:

- Date:** 21 October 2024
- Parties:**
- (1) the Company; and
  - (2) 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, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the Completion Date.
- Subscription Price:** HK\$0.30 per Subscription Share.
- Ranking of 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.

#### 4. Evaluation of the basis of the Subscription Price

As set out in the Letter, 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.

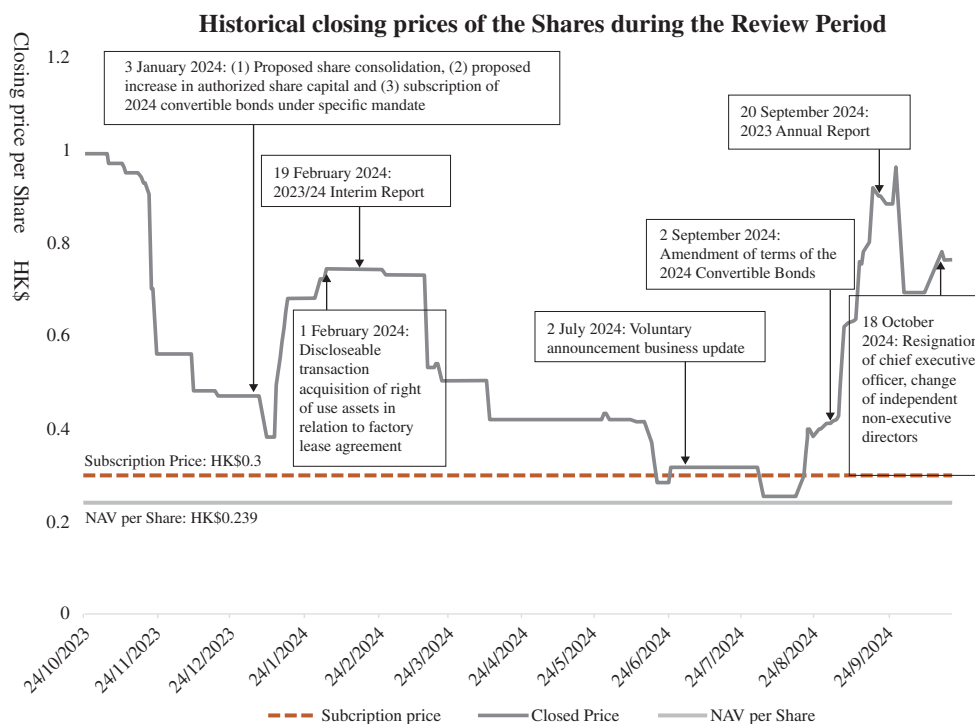
To assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the historical Share price performance; (b) the historical trading volume and liquidity of the Shares; and (c) the market comparable in respect of recent issuance of subscription shares, as set out below.

##### *4.1 Review of the historical price performance of the Shares*

Set out below is a chart illustrating the movement of the closing prices of the Shares as quoted on the Stock Exchange from 24 October 2023 up to and including 21 October 2024, being a one-year period before the date of the Subscription Agreement I (the "**Review Period**").

After careful consideration, we have determined that a one-year review period is suitable as this timeframe provides a comprehensive overview of recent Share price performance, while fully integrating relevant information regarding the Group's overall performance. Therefore, we consider that the Review Period is adequate for effectively illustrating Share price performance and for making meaningful comparisons between the closing price of the Shares and the Subscription Price.

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Source: The website of the Stock Exchange

During the Review Period, the Shares listed on the Stock Exchange achieved the highest closing price of HK\$0.99 between 24 October 2023 and 2 November 2023, while the lowest closing price of HK\$0.25 was recorded between 2 August 2024 and 16 August 2024. The average closing price for the Shares during the Review Period was approximately HK\$0.55. The Subscription Price reflects (i) a premium of approximately 20% over the lowest Share price of HK\$0.25, (ii) a discount of approximately 69.70% to the highest Share price of HK\$0.99, and (iii) a discount of approximately 45.45% to the average closing price of the Shares of approximately HK\$0.55, observed during the Review Period.

As shown in the chart above, the Share price closed between HK\$0.25 per Share and HK\$0.99 per Share during the Review Period. During the Review Period, the Company released (i) proposed share consolidation, proposed increase in authorized share capital and subscription of 2024 convertible bonds under specific mandate as published on 3 January 2024; (ii) the 2023/24 Interim Report as published on 19 February 2024; (iii) the discloseable transaction relating to the acquisition of right of use assets in relation to factory lease agreement as published on 1 February 2024; (iv) a voluntary announcement about a business update as published on 2 July 2024; (v) the amendment of terms of the 2024 Convertible Bonds as published on 2 September 2024; (vi) the 2023/24 Annual Report as published on 20 September 2024; and (vii) the resignation of chief executive officer, change of independent non-executive directors as published on 18 October 2024. Save as the aforesaid, the Company did not announce any other material information to the public.



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In addition to the previously mentioned announcements, we observed a significant decrease in the Share price between 24 October 2023 and 11 January 2024, and a significant increase in the Share price commencing on 16 August 2024 and reaching a peak of HK\$0.96 per Share by 26 September 2024. Upon inquiring with the Group's management, it was confirmed that they do not have any information regarding any specific factors that could explain the fluctuations in closing Share prices between 24 October 2023 and 11 January 2024 and since 16 August 2024.

In light of the aforementioned considerations, we believe that the Share price performance during the Review Period reflects a volatile market environment characterized by sharp fluctuations. However, to evaluate the fairness and reasonableness of the Subscription Price, it is crucial to take additional factors into account.

In order to assess the fairness and reasonableness of the Subscription Price as compared to the recent closing price of the Shares, we have further, based on the information available from the Stock Exchange's website, observed the trading volume and liquidity of the Shares and identified the Comparables (as defined below) for further analysis. Please refer to the sub-section headed "Comparison with recent transactions" for analysis details.

#### **4.2 Review on the trading volume and liquidity of the Shares**

Set out below is the table showing (i) the monthly total trading volume of the Shares; (ii) the number of trading days of each month; (iii) the average daily trading volume of the Shares; and (iv) the percentage of the average daily trading volume of the Shares to the total issued Shares at the end of each month during the Review Period:

Month	Monthly trading volume of the Shares (Shares)	Number of trading days in the month (days)	Average daily trading volume of the Shares in the month (Shares) (Note 1)	Percentage of average daily Trading Volume of the Shares to total number of Shares (approximate) (Note 2)
<b>2023</b>				
From 24 October 2023 to				
31 October 2023	–	6	–	–
November	18,400	22	836	0.0009%
December	14,400	19	758	0.0008%

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Month	Monthly trading volume of the Shares (Shares)	Number of trading days in the month (days)	Average daily trading volume of the Shares in the month (Shares) (Note 1)	Percentage of average daily Trading Volume of the Shares to total number of Shares (approximate) (Note 2)
<b>2024</b>				
January	127,200	22	5,782	0.0064%
February	1,600	19	84	0.0001%
March	98,400	20	4,920	0.0054%
April	–	20	–	–
May	293,600	21	13,981	0.0154%
June	220,000	19	11,579	0.0128%
July	–	22	–	–
August	584,000	22	26,545	0.0293%
September	934,400	19	49,179	0.0542%
October (up to the Last Trading Day)	696,000	13	53,538	0.0590%

*Source: Website of the Stock Exchange*

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month.

The monthly trading volume of the Shares during the Review Period has varied significantly. It ranged from no transactions at all between 24 October 2023 and 31 October 2023, in April 2024 and in July 2024 to a peak of 934,400 Shares traded in September 2024. This represents approximately 0.0001% of the total issued Shares for the lowest volume and about 0.0590% for the highest.

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In addition to the announcements above and the mentioned market sentiment between 24 October 2023 and 11 January 2024 and since 16 August 2024, we have not identified any specific reasons for the fluctuations observed during the Review Period. Therefore, we assess that trading activity for the Shares was relatively inactive throughout the Review Period. Given the low liquidity of the Shares, we believe it may be difficult to determine the potential outcomes of alternative equity financing methods, such as a rights issue or open offer. This uncertainty could directly impact the Group's ability to meet the repayment obligations associated with the 2024 Convertible Bonds.

### **4.3 Comparison with recent transactions**

To evaluate the reasonableness of the Subscription Price, we have identified an exhaustive list of nine transactions conducted by companies listed on the Stock Exchange during the six-month period from 22 April 2024 to the Last Trading Day (the “**Six-month Period**”) (the “**Comparables**”). This process was based on the information available from the Stock Exchange's website and conducted on a best-effort basis. The criteria for selecting the Comparables were as follows: (i) the companies must be listed on the Stock Exchange; (ii) the transactions must involve the subscription of new shares under a specific mandate by connected persons; (iii) we excluded issues related to (a) share awards or emoluments; (b) acquisitions; and/or (c) restructuring; and (iv) we did not consider issues of A shares or domestic shares.

We assessed our selection criteria for the Comparables and the duration of the Six-month Period, we considered both to be fair and reasonable, given (i) the Six-month Period includes an exhaustive list of the Comparables allowing for effective analysis; and (ii) it demonstrates recent market practices for similar transactions while considering comparable market conditions and sentiments, which helps to highlight current trends and terms in the market.

Since the terms of the Comparables are established under comparable market conditions and sentiments to those associated with the issuance of Subscription Shares I, we believe that the Comparables serve as an accurate reflection of the recent market trend regarding subscriptions of shares by connected parties. Consequently, we regard the Comparables as fair and representative samples for our analysis. It is essential to acknowledge that the companies referenced in the Comparables may differ in terms of their principal activities, market capitalizations, profitability, and overall financial positions when compared to the Company. Furthermore, the circumstances that led these Comparable companies to issue subscription shares may not align with that of the Company. This analysis is intended to provide a general reference for similar types of transactions in Hong Kong, and we consider these Comparables to be a credible foundation for assessing the fairness and reasonableness of the Subscription Price.

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Date of Announcement (dd/mm/yy)	Company (Stock code)	Premium/(discount) of the subscription price over/(to) the average closing price per share for the last 5 consecutive trading days immediately prior to the date of the respective subscription agreement (approximate)%	Premium/(discount) of the subscription price over/(to) the net asset value per share based on the latest audited consolidated net asset value attributable to the shareholders (approximate)%
23/10/2024	China Resources Power Holdings Company Limited (836)	(5.06)	(3.48)
10/10/2024	Virtual Mind Holding Company Limited (1520)	13.64	38.39
4/10/2024	CircuTech International Holdings Limited (8051)	(2.60)	0.30
27/9/2024	Sunway International Holdings Limited (58)	96.08	96.08
2/9/2024	Well Link Securities Holdings Limited (8350)	65.60	66.90
8/7/2024	Winshine Science Company Limited (209)	(9.10)	(9.10)
17/6/2024	Zhuguang Holdings Group Company Limited (1176)	21.21	18.34
22/5/2024	Cornerstone Technologies Holdings Limited (8391)	12.28	20.75
14/5/2024	Hua Yin International Holdings Limited (989)	19.05	6.38
	<b>Average</b>	21.96	26.06
	<b>Maximum</b>	96.08	96.08
	<b>Minimum</b>	(9.10)	(9.10)
	<b>The Company</b>	(60.53)	(60.63)

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

*Note 1:* These extraordinary high figures of over 2,513.35% premium and 449.80% premium, compared to that of the other Comparables which ranged from a premium of approximately 63.76% to a discount of approximately 86.75%, were considered as outlier and were excluded in the analysis of subscription price to net asset value per share.

The table above presents a detailed overview of the subscription prices of the Comparables in relation to their respective closing prices on or before the dates of the corresponding agreements. These prices varied, showing a discount of approximately 9.10% to a premium of approximately 96.08%, with an average premium of approximately 21.96%.

In further examining the subscription prices in comparison to the average closing prices over the five trading days before the date of the corresponding agreements, we found that the results showed a comparable range, with the prices varying from a discount of approximately 9.10% to a premium of approximately 96.08%, with an average premium of approximately 26.06%.

As a result, the discount of approximately 60.53% to 60.63% to the closing price of HK\$0.76 per share, as quoted on the Stock Exchange on the Last Trading Day, and the average closing price of HK\$0.762 per share for the five consecutive trading days immediately preceding the Last Trading Day falls outside the established range of the Comparables. In view of that, we considered that the substantial discount from the closing Share price reflects an unfavorable condition regarding the Subscription Price prior to taking other factors into account.

Additionally, when comparing the subscription prices of the Comparables to the net asset value per share based on the most recent audited consolidated net asset value attributable to shareholders, the results showed a range from a discount of about 86.75% to a premium of approximately 63.76%, resulting in an average discount of approximately 30.87%. Based on the above, the Subscription Price of HK\$0.30 reflects a premium of approximately 25.52% over the Group's audited consolidated net asset value attributable to shareholders per share as of 30 June 2024. This pricing is consistent with the relevant range observed among the Comparables.

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In summary, as mentioned in the section headed “4.1 Review of the historical price performance of the Shares”, we observed that the historical performance of Share prices has been characterised by a volatile market environment with significant fluctuations. This high level of volatility often leads to increased uncertainty in pricing, making it difficult for investors to accurately assess the fair value of Shares using fundamental analysis. Moreover, in such conditions, investors may expect a higher return to compensate for the increased risk. As a result, we believe that high volatility presents notable challenges in determining the fair value of Shares, leading to substantial adjustments in evaluations. Therefore, despite the Subscription Price representing a significant discount of approximately 60.53% to 60.63% to the closing price of HK\$0.76 per share, as quoted on the Stock Exchange on the Last Trading Day, and the average closing price of HK\$0.762 per share for the five consecutive trading days immediately preceding the Last Trading Day, we will take into account, among others, the following factors when assessing the Subscription Price:

- (i) the Subscription Price represents a premium of approximately 25.52% over the Group’s audited consolidated net asset value attributable to shareholders per share as of 30 June 2024, which falls within the relevant range observed among the Comparables;
- (ii) the Group is currently facing continuous financial losses, which have a significant impact on its financial position. This situation may adversely influence the determination of the Subscription Price;
- (iii) the limited liquidity of the Shares observed during the Review Period indicates the potential for a considerable discount to the Subscription Price. This adjustment may serve to encourage Subscriber I to acquire the specified number of Subscription Shares I; and
- (iv) the reasons in the section headed “Reasons for and benefits of the Subscription I and use of proceeds” above in this letter.

After careful consideration, we have determined that the potential advantages of Subscription I considerably outweigh the costs associated with offering a significant discount on the Subscription Price. Accordingly, we are of the view that the terms of Subscription Shares I are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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### 5. Possible dilution effect on shareholding interests of the public Shareholders

As illustrated in the table relating to the “EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY” as set out in the Letter, the shareholding of existing public Shareholders in the Company will be reduced from approximately 62.12% as at the Latest Practicable Date to approximately 45.55% immediately after the completion of the Subscription I (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and the Completion Date). The dilution effect on the shareholding of the Company immediately upon completion of the Subscription I is approximately 16.57%.

Furthermore, the Subscription Price represents (i) a theoretical dilution effect (as defined in 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 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 (ii) 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).

Nonetheless, having considered (i) the reasons for and benefits of the Subscription I and use of proceeds as discussed in this letter; (ii) the Subscription Price being fair and reasonable as discussed above; and (iii) the positive financial effects on the Group as a result of the Subscription I as summarised below, we are of the view that the dilution in the shareholding interests of the public Shareholders upon completion of the Subscription I is not prejudicial to their interests and thus is acceptable.

### 6. Financial effects of the Subscription I

Upon completion of the Subscription I, it is anticipated that the Group’s net asset value and cash and cash equivalents will both increase by approximately HK\$9.3 million. This figure reflects the estimated net proceeds generated from the Subscriptions.

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The analysis provided are for illustrative purposes only and do not claim to accurately represent the Group's financial position or results upon completion of the Subscription I.

Based on the above analysis, we anticipate that the Subscription I will have a favorable impact on the Group's financial position. Consequently, we are confident that Subscription I aligns with the best interests of both the Company and its Shareholders as a whole.

### RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that despite the Subscription I is not in the ordinary and usual course of the business of the Group, it is in the interests of the Company and the Shareholders as a whole, and the terms of the Subscription Agreement I are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the resolutions to be proposed at the EGM to approve the Subscription I (including the allotment and issue of the Subscription Shares I under the Specific Mandate I).

Yours faithfully,  
For and on behalf of  
**Diligent Capital Limited**  
**Huen Felix Ting Cheung**  
*Director*



## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued shares as at the Latest Practicable Date were, and immediately following the issue of the Subscription Shares (provided that Subscription I and Subscription II shall complete simultaneously) will be, as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>300,000,000</u>	shares of HK\$0.1 each	<u>30,000,000</u>
 <i>Issued and fully-paid share capital</i>		
90,733,332	Shares in issue as at the Latest Practicable Date	9,073,333.20
<u>45,000,000</u>	Subscription Shares to be issued and allotted	<u>4,500,000.00</u>
<u>135,733,332</u>	Shares in issue immediately following the issue of the Subscription Shares	<u>13,573,333.20</u>

All Shares in issue *rank pari passu* with each other in all respects including the right as to voting and dividends. As at the Latest Practicable Date, the number of options outstanding under the share options schemes were 10,200,000.

Save as disclosed above, no share, options, warrants, conversion rights or any equity or debt securities of the Company were outstanding or were proposed to be listed or issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

There have not been any alterations in the capital of any member of the Group since the publication of the annual report of the Company for the year ended 30 June 2024 and up to the Latest Practicable Date.

The issued Shares are listed on the Stock Exchange. None of the equity and debt securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, the following Directors had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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) pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) 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:

#### *Long positions in the Shares and the underlying Shares*

Name of Directors	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Approximate percentage of the Company's issued share capital <i>(Note 4)</i>
Mr. Ma Gary Ming Fai ("Mr. Ma")	Interest in a controlled corporation <i>(Note 1)</i>	26,330,040 (Long position)	29.02%
Mr. Yi Cong ("Mr. Yi")	Interest of spouse <i>(Note 2)</i>	8,040,000 (Long position)	8.86%
Mr. Lai	Beneficial owner <i>(Note 3)</i>	10,000,000 (Long position)	11.02%

*Notes:*

1. 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.
2. Mr. Yi is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi is deemed to be interested in the Shares held by Ms. Zhang Gui Hong for the purpose of Part XV of the SFO.
3. Pursuant to the share option deed dated 2 June 2021, the Company conditionally granted the options to Mr. Lai, and Mr. Lai has the right to request the Company to allot and issue up to 10,000,000 subscription shares at the subscription price (share options have been adjusted after the share consolidation on 14 February 2024). After Mr. Lai fully exercised the share options, his shareholding represents approximately 11.02% of the existing issued share capital of the Company and approximately 7.37% 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.
4. The percentages had been calculated on the basis of 90,733,332 issued Shares as at the Latest Practicable Date.

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 or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) 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, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary shares held/ interested	Approximate percentage of the Company's issued share capital (Note 5)
Sun Universal Limited ("Sun Universal")	Beneficial owner	26,330,040 (Long position)	29.02%
Ms. Hung Fung King Margaret ("Ms. Hung")	Interest of spouse (Note 1)	26,330,040 (Long position)	29.02%
Brilliant Talent Global Limited	Beneficial owner (Note 2)	8,040,000 (Long position)	8.86%
Ms. Zhang Gui Hong ("Ms. Zhang")	Interest in a controlled corporation (Note 2)	8,040,000 (Long position)	8.86%
Billion Eggs Limited ("Billion Eggs")	Beneficial owner (Note 3)	14,524,158 (Long position)	16.01%
Rock Link Limited ("Rock Link")	Beneficial owner (Note 4)	5,697,705 (Long position)	6.28%

*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.

3. Pursuant to the subscription agreement of the 2024 Convertible Bonds, the Company has allotted convertible bonds in the principal amount of HK\$9,920,000 to Billion Eggs, which entitles it to convert up to 14,524,158 Shares at the initial conversion price of HK\$0.683 per Share. Upon full conversion, its shareholding represents approximately 16.01% of the existing issued share capital of the Company. Billion Eggs is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Billion Eggs is wholly-owned by Ms. Grace Wahyuni Sardjono, whose brother-in-law, Mr. Man Lap, is interested in 3,153,600 Shares, representing approximately 3.48% of the entire issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, Billion Eggs has not converted any of the 2024 Convertible Bonds.
4. Pursuant to the subscription agreement of 2024 Convertible Bonds, the Company has allotted convertible bonds in the principal amount of HK\$2,480,000 to Rock Link, which entitles it to convert up to 3,631,039 Shares at the initial conversion price of HK\$0.683 per Share. Rock Link is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Rock Link is wholly-owned by Mr. Fang Yan Zau Alexandar. As at the Latest Practicable Date, Rock Link held 2,066,666 Shares, representing approximately 2.28% of the entire issued share capital of the Company, and after full conversion of the 2024 Convertible Bonds, Rock Link's shareholding totaled 5,697,705 Shares, representing approximately 6.28% of the entire issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, Rock Link has not converted any 2024 Convertible Bonds.
5. The percentages had been calculated on the basis of 90,733,332 issued Shares as at the Latest Practicable Date.

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, or which were required, pursuant to section 336 of the SFO, to be entered in the register refer to therein.

#### 4. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the financial year ended 30 June 2024 can be found in the annual report of the Company for the financial year ended 30 June 2024 which have been published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.qtbj.com](http://www.qtbj.com). It is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0920/2024092001828.pdf>

## 5. BUSINESS AND TRADING PROSPECTS OF THE GROUP

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. 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 Furniture Co., Limited\* (四川青田家俱實業有限公司) (“**Sichuan Greenland**”), in Chengdu City and a branch office, Chongqing Branch Office of Sichuan Greenland, in Chongqing City.

In addition, the Group had completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC from 2020. 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. In June 2021, 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) (“**WNT**”), entered into a management agreement with Gu’an Fu’ai Electronics Co. Ltd. to carry out buildout management service business.

During the year ended 30 June 2024, the Group established Shangcheng Smart Home (Dongguan) Co., Ltd.\* (尚誠智能家居(東莞)有限公司), which is principally engaged in the manufacturing and sale of furniture and furniture products, through the investment of WNT. WNT controls 51% of the shareholding of the company. It aims to enable the furniture business to quickly overcome its operational challenges, establish diversified operations and furniture, and strive to stabilise its revenue.

Looking forward, the real estate market is still in a downturn, and it is expected that the furniture market will require a longer period for recovery. However, the Group remains cautiously optimistic about the future market outlook. The State Council emphasises that it needs to make great efforts to keep up the growth momentum of the economy in the second half of 2024, expand domestic demand more effectively, with a focus on boosting consumption, and take targeted measures to facilitate economic circulation. To promote consumption, it needs to focus on areas with strong growth and impetus, accelerate the expansion and enhance the quality of service and consumption, effectively promote bulk consumption, formulate differentiated support policies according to the needs of different groups, and fully unleash the potential of consumption. Accordingly, with gradual dissipation of domestic and international uncertainties and recovery consumer confidence, it is expected that China’s economy will recover vigorously. Hence, the Company will actively seize the opportunity.

In terms of data centre business and buildout management services, the Group will strengthen customer relationships, enhancing customer loyalty through long-term cooperation agreements, high-quality customer service, and support. The Group will flexibly adjust pricing strategies in response to market demand and competitive landscape. Different pricing strategies, package discounts, and long-term cooperation discounts can be adopted to attract customers of different levels. The Group will actively reach customers of different industries or types to reduce reliance on a single customer group, and keep track of market dynamics and changes in customer demands and promptly adjust service content and pricing strategies to adapt to market changes. At the same time, the Group will pursue its customer expansion by redoubling its publicity, promotion, and marketing efforts, and strive to elevate the scale of its existing operations to the next level as quickly as possible. On the other hand, by strengthening cooperation with existing data centre operations, the Group will strive to secure long-term cooperation agreements with them, ensuring a stable supply of machine enclosure rooms and competitive pricing to prevent operational disruptions. At the same time, the Group will seek to establish a diversified supplier mechanism to prevent operational disruptions. Meanwhile, the Company will facilitate conditions to provide diversified services that meet different needs of customers. The Group will expand its scope of business and offer customised storage solutions, value-added services (such as optimising data storage efficiency, data security protection, quick response support, etc.), and explore integration with other services (such as cloud computing services), to offer one-stop solutions for customers by expanding its internet service offering. The Group aims to meet the personalised needs of different customers, enhance customer satisfaction and loyalty, and increase revenue sources.

The Group will also actively capitalise on strategic opportunities arising from the government's quest for the data centre development. While enhancing technological research and development, the Company will proactively pursue opportunities to boost its revenue by leveraging its experiences in the buildout management services. The Group will strive to establish its own data centre with proprietary rights at the earliest opportunity, reducing reliance on external suppliers and gradually enhancing the Company's competitive strengths.

## **6. MANAGEMENT**

The Board comprises four executive Directors, one non-executive director and three independent non-executive directors. Biographies of the Board and the senior management of the Group has been set out in the section headed "Biographies of Board of Directors and Senior Management" in the annual report of the Company for the financial year ended 30 June 2024, and the section headed "15. Audit Committee" in this appendix.

## 7. 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).

## 8. COMPETING INTERESTS

Mr. Ma is an executive Director and Ms. Hung, Mr. Ma's spouse, holds approximately 99.9% 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**"). Mr. Ma confirms that Myshowhome HK is engaged in trading business. 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 trading of furniture and therefore competes or may compete either directly or indirectly with the Group's business.

Mr. Lai is a director and shareholder directly interested in approximately 23.47% of the equity interest in Beijing Haokuan Network Technology Co., Ltd.\* (北京皓寬網絡科技有限公司) ("**Beijing Haokuan**") and directly interested in 50% of the equity interest in Haokuan Hebei Network Technology Co., Ltd.\* (皓寬河北網絡科技有限公司), both being companies established in the PRC. Mr. Lai confirms that these companies and Beijing Haokuan's non-wholly owned subsidiaries, Haokuan Network (Guangzhou) Co., Ltd.\* (皓寬網絡(廣州)有限公司) and Shanghai Haokuan Cloud Network Co., Ltd.\* (上海皓寬雲網絡有限公司), are engaged in, among others, the data centre business in the PRC and therefore competes or may compete either directly or indirectly with the Group's business. Mr. Lai, through the Subscriber I, is (i) interested in 50% of Mega Data Investment Ltd., a special purpose vehicle which owns 40% of a joint venture company, namely, Cloud Treasure Investment Limited ("**Cloud Treasure**"); and (ii) interested in 50% of another special purpose vehicle which indirectly owns a minority interest in Cloud Treasure. Cloud Treasure, through its subsidiary, owns 100% of 固安福愛電子有限公司 (Gu'an Fu'ai Electronics Co., Ltd.\*) which is principally engaged in the investment in data centre business in the PRC and therefore competes or may compete either directly or indirectly with the Group's business.

Saved as disclosed above, as at the Latest Practicable Date and in so far as the Directors were aware of, none of the Directors and their respective close associates (as defined under the GEM Listing Rules) had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

## 9. MATERIAL ADVERSE CHANGE

The Directors confirmed that as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 30 June 2024, being the date to which the latest published audited financial statements of the Group were made up.



## 10. MATERIAL LITIGATION

References are made to the announcements of the Company dated 25 January 2022, 2 June 2023 and 24 January 2024 and the circular of the Company dated 25 March 2022 in relation to, among other matters, (i) the entering into of the agreement for the provision of financial assistance by way of pledge of properties of the Group; (ii) the receipt of written notice dated 15 May 2023 from the bank requesting Sichuan Greenland to observe and perform its obligations under the pledge if the borrower fails to make repayment; (iii) the judgement of the Dongguan Third Primary People’s Court, Guangdong (廣東省東莞市第三人民法院) (the “**Court**”) handed down on 16 January 2024 (the “**Jan 2024 Judgment**”) confirming the disposal rights of the bank to enforce the pledge and sell the properties by auction in settlement of the liability owed by the borrower to the bank in light of the borrower’s failure to perform its repayment obligation regarding the loan.

Appeal was made by Sichuan Greenland to the Dongguan Intermediate People’s Court, Guangdong (廣東省東莞市中級人民法院) (the “**Intermediate People’s Court**”) to reverse or vary the decision of the Court or remand the case. The bank also made an appeal to vary the decision. The hearing was held on 28 May 2024 and the civil judgment of the Intermediate People’s Court was handed down on 7 June 2024 (the “**June 2024 Judgment**”), pursuant to which, among others, the appeal of Sichuan Greenland and the bank was dismissed and the original judgment (i.e. Jan 2024 Judgment) was upheld, and the June 2024 Judgment is final.

As disclosed in the annual report of the Company for the year ended 30 June 2023, an impairment loss on assets of approximately RMB49.8 million has been provided by the Group in the financial year.

The Group has also filed a lawsuit with the court regarding the abovementioned matters and has taken pre-litigation property preservation measures against the borrower and its subsidiary(ies), and has obtained acceptance from the Court. According to the Court’s default judgement dated 20 June 2024, the defendant, Dongguan Yaobang Group Co., Ltd.\* (東莞市耀邦集團有限公司) and Luo Jinyao, at their own cost and expense, shall release the real estate mortgage provided by Sichuan Greenland for Dongguan City Hengli Furniture Corporate Co., Ltd.\* (東莞市恒利家私實業有限公司) to borrow from the Dongguan Qiaotou Branch of the Industrial and Commercial Bank of China Limited. The defendant (same as the above) is required to pay the annual fee for property mortgage and interest thereon to the plaintiff, the Company, within five days from the date of entry into force of this judgement, and bear the attorney fees, acceptance fees, preservation fees, and other costs.

As at the Latest Practicable Date, according to the aforementioned judgement, the defendant has not yet fulfilled the responsibilities and obligations undertaken. The Group will continue to take relevant measures to safeguard the interests of the Group.

Saved as disclosed above, 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.

## 11. MATERIAL CONTRACTS

Set out below are the summary of the principal contents of the material contracts (not being contracts entered into in the ordinary course of business) entered into by any members of the Group within two years immediately preceding the Latest Practicable Date:

- (a) the subscription agreement dated 1 February 2023 entered into between Zhongzhi International Investment Holdings Group Limited\* (中植國際投資控股集團有限公司) as the issuer and the Company as subscriber in relation to the subscription of wealth management product in the principal amount of RMB4,000,000;
- (b) the subscription agreement dated 4 April 2023 entered into between Zhongzhi Automobile Anhui Limited\* (中植汽車安徽有限公司) (“Zhongzhi Automobile”) as the issuer and the Company as subscriber in relation to the subscription of wealth management product in the principal amount of RMB3,000,000;
- (c) the subscription agreement dated 20 April 2023 entered into between Zhongzhi Automobile as the issuer and the Company as subscriber in relation to the subscription of wealth management product in the principal amount of RMB3,000,000;
- (d) the subscription agreement dated 3 January 2024 entered into between the Company and Billion Eggs as subscriber in relation to the subscription of the 2024 Convertible Bonds in the principal amount of HK\$9,920,000, and the supplemental deed poll dated 2 September 2024 in relation to the amendment of the terms;

- (e) the subscription agreement dated 3 January 2024 entered into between the Company and Rock Link as subscriber in relation to the subscription of the 2024 Convertible Bonds in the principal amount of HK\$2,480,000, and the supplemental deed poll dated 2 September 2024 in relation to the amendment of the terms;
- (f) the Subscription Agreement I; and
- (g) the Subscription Agreement II.

## 12. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Diligent Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

- (i) 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;
- (ii) 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; and
- (iii) did not have any interest, either directly or indirectly, in any assets which have been since 30 June 2024 (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.

**13. 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.

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 30 June 2024, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

**14. MISCELLANEOUS**

- (1) Mr. Ma, an executive Director, is the compliance officer of the Company.
- (2) Ms. Yuen Lai Sheung is the company secretary of the Company. She is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.
- (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 A401, Moore Car Hui, No.68, Julong Road, Wuhou District, Chengdu, Sichuan Province, the PRC.
- (5) The principal place of business of the Company in Hong Kong is at Room 1123, 11/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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (8) In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

## 15. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee comprises three members, Mr. Chan Wing Kit, Mr. Lin Xiaodong and Ms. Chan Pui Shan, 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) (“**Mr. Chan**”), aged 52, was appointed as the independent non-executive Director 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 Home Holdings Limited (Stock Code: 1198, formerly known as Royale Furniture Holdings Limited, “**Royale Home**”). The principal business activities of Royale Home include manufacturing, trading and retailing home furniture in the PRC. Mr. Chan has been serving as a chief financial officer of Royale Home since August 2019.

Mr. Lin Xiaodong (林小冬) (“**Mr. Lin**”), aged 50, was appointed as the independent non-executive Director on 18 October 2024. He has over 27 years in business management. He joined Beijing Wanwei Yunlian Technology Co., Ltd.\* (北京萬為雲聯科技有限公司) (“**Beijing Wanwei**”) since 2019 as deputy general manager and is responsible for the operation of the company. Before joining Beijing Wanwei, he was the vice president at a network service provider in Greater China from 2000 to 2018 and responsible for the business management of network product BU, the overall operating profit and loss of the network business, the management of the product marketing team, the management of the product system of network business to achieve product design innovation, research and development and promotion and responsible for national network development planning, operation system design, and management of national network construction and uninterrupted operation services. Mr. Lin was the engineer of WangGlobal (China) Limited\* (WangGlobal (中國)公司) from 1997 to 1999 and was responsible for the network project design, integration and maintenance and customer communication and service. Mr. Lin is qualified as a CCIE (Service Provider) and CCIE (Routing & Switching). He holds a Bachelor’s degree in Automation from Yanshan University\* (燕山大學) and a certificate of EBA at TUS business school (啟迪商學院).

Ms. Chan Pui Shan (陳珮珊) (“**Ms. Chan**”) aged 50, was appointed as the independent non-executive Director on 18 October 2024. She has over 25 years of experience in senior management communications, marketing & public relations, partnership development, and investor relations across venture capital industries. Ms. Chan serves as the Head of Marketing, Ecosystem & Partnership for a Hong Kong based venture capital firm founded in 2017. She joined the venture capital firm in the same year and is responsible for partnership build-up, marketing, post-deal management, investor relations, and human resources. Ms. Chan sometimes represents the venture capital firm as a speaker at industry events. Prior to this, Ms. Chan acted as the Group Director of Marketing and Corporate Communications, which she orchestrated the marketing and PR strategies and offered strategic advice to C-level executives on key initiatives. She played a pivotal role in the group’s incubation team, successfully integrating B2B start-ups with existing enterprise solutions. Ms. Chan began her career at Intergraph, a global leader in engineering and geospatial software, where she contributed to significant Hong Kong SAR Government and utilities projects. Ms. Chan holds a Bachelor’s degree in English for Professional Communications from The City University of Hong Kong and a Master of Business Administration degree from The Chinese University of Hong Kong.

## 16. DOCUMENTS ON DISPLAY

Copies of the following documents are available at the website of the Company at [www.qtbjgj.com](http://www.qtbjgj.com) and on the website of the Stock Exchange for a period of not less than 14 days from the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement I;
- (b) the Subscription Agreement II;
- (c) the letter from the Board, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (f) the material contracts disclosed in the paragraph headed “11. Material contracts” in this Appendix;
- (g) the written consent of the expert referred to in the paragraph headed “12. Qualification and consent of Expert” in this appendix; and
- (h) this circular.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Zhi Sheng Group Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) will be held at Unit 1603B, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong on Friday, 13 December 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as resolutions of the Company:

Unless otherwise specified, capitalised terms defined in the circular dated 26 November 2024 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified.

### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the subscription agreement dated 21 October 2024 (the “**Subscription Agreement I**”) (a copy of which is tabled at the EGM and marked “A” and signed by the chairman of the EGM for identification purpose) entered into between the Company and Lightning Cloud Ltd. (the “**Subscriber I**”) as the subscriber in relation to the subscription of an aggregate of 33,000,000 new shares of the Company (the “**Subscription Share(s) I**”) at the subscription price of HK\$0.30 per Subscription Share I be and is hereby approved, confirmed and ratified;
- (b) subject to and conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) having granted the listing of, and permission to deal in, the Subscription Shares I, the directors of the Company (the “**Director(s)**”) be and is hereby granted with a specific mandate (the “**Specific Mandate I**”) which shall entitle the Directors to exercise all the powers of the Company to allot and issue the Subscription Shares I to the Subscriber I, on and subject to the terms and conditions of the Subscription Agreement I entered into between the Company and the Subscriber I, provided that the Specific Mandate I shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may be granted from time to time to the Directors prior to the passing of this resolution; and

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- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute all such documents or agreements or deeds and take all such actions as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Subscription Agreement I entered into between the Company and the Subscriber I or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith as are, in the opinion of such Director, in the interest of the Company and the shareholders of the Company (the “**Shareholders**”) as a whole.”

2. **“THAT**

- (a) the subscription agreement dated 21 October 2024 (the “**Subscription Agreement II**”) (a copy of which is tabled at the EGM and marked “B” and signed by the chairman of the EGM for identification purpose) entered into between the Company and Z Living International Company Limited (the “**Subscriber II**”) as the subscriber in relation to the subscription of an aggregate of 12,000,000 new shares of the Company (the “**Subscription Share(s) II**”) at the subscription price of HK\$0.30 per Subscription Share II be and is hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares II, the Directors be and is hereby granted with a specific mandate (the “**Specific Mandate II**”) which shall entitle the Directors to exercise all the powers of the Company to allot and issue the Subscription Shares II to the Subscriber II, on and subject to the terms and conditions of the Subscription Agreement II entered into between the Company and the Subscriber II, provided that the Specific Mandate II shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may be granted from time to time to the Directors prior to the passing of this resolution; and



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- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute all such documents or agreements or deeds and take all such actions as he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Subscription Agreement II entered into between the Company and the Subscriber II or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole.”

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

Hong Kong, 26 November 2024

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

*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

*Principal place of business in Hong Kong:*  
Room 1123, 11/F, Star House  
3 Salisbury Road  
Tsim Sha Tsui  
Kowloon, Hong Kong

*Notes:*

1. For the purpose of determining shareholders’ eligibility to attend and vote at the Meeting, the register of members of the Company will be closed from Tuesday, 10 December 2024 to Friday, 13 December 2024, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the Meeting, unregistered holders of the Shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 December 2024.

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2. Any Shareholder entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy does not have to be a Shareholder.
3. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the Meeting (or any adjournment thereof).
4. Completion and delivery of a form of proxy shall not preclude a Shareholder from attending and voting in person at the Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any Shares, any one of such joint holder may vote at the Meeting, either in person or by proxy in respect of such Shares as if he/she was solely entitled thereto; but if more than one of such joint holders is present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such Shares shall alone be entitled to vote in respect thereof.
6. A form of proxy for use at the Meeting is attached herewith.
7. Any voting at the Meeting shall be taken by poll.
8. The form of proxy shall be signed by a Shareholder or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney authorised.
9. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.qtbjj.com](http://www.qtbjj.com) and on the "Latest Listed Company Information" page of the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time and place of the rescheduled meeting.

*As at the date of this notice, 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, Mr. Lin Xiaodong and Ms. Chan Pui Shan as independent non-executive Directors.*