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ZHI SHENG GROUP HOLDINGS LIMITED

智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8370)

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

Financial Adviser



Capital 9 Limited

The Board announces that on 25 January 2022, the Agreement was entered into between the Company and the Borrower pursuant to which the Company shall make available to the Borrower the Properties for the sole purpose of pledging with the Bank(s) to assist the obtaining of the Financing with maximum collateral value of not more than RMB60,000,000 in respect of the Properties during the Availability Period.

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

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

As the applicable percentage ratio in respect of the Agreement is more than 25% but is less than 100%, the entering into of the Agreement and the transactions contemplated thereunder constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to, among others, Shareholders' approval at the EGM.

General

A circular containing, among other things, (i) details of the Agreement; (ii) the valuation report on the Properties to be pledged under the Agreement; and (iii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 31 March 2022.

PROVISION OF FINANCIAL ASSISTANCE BY WAY OF PLEDGE OF THE PROPERTIES

Background

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

The entering into of the Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Set out below are the principal terms of the Agreement.

THE AGREEMENT

Date : 25 January 2022 (after trading hours)

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

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

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

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

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

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

Subject Matter

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

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

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

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

Management Contract

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

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

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

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

Sales Contract

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

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

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

Conditions precedent

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

- (a) the passing of the resolution(s) by the Shareholders (other than the Borrower and its associates) in general meeting of the Company approving the Agreement and the transactions contemplated thereunder;

- (b) completion of due diligence on the Borrower and other Security Parties including Mr. Luo by the Company and the terms of the Financing having been confirmed by the Company; and
- (c) the execution of the relevant security documents by Mr. Luo (and other Security Parties) in favour of the Company.

If the conditions set out above have not been satisfied (or waived) within one (1) year of the Agreement or such later date as the parties to the Agreement may agree, the Agreement shall cease and determine (save as otherwise provided therein) and neither party shall have any obligations nor liabilities towards each other save for any antecedent breaches.

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

Commitment Fee and Fees

Upon the entering of the Agreement, the Borrower shall within 14 days pay the Company a non-refundable commitment fee in the sum of HK\$500,000. The commitment fee is not refundable.

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

Release of the Properties

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

INFORMATION ON THE PROPERTIES

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

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

The valuation report of the Properties will be included in the circular to be despatched to the Shareholders.

REASONS FOR ENTERING INTO OF THE AGREEMENT

The Group is principally engaged in (i) the manufacture and sale of office furniture products in the PRC; and (ii) the data centre business in the PRC.

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

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

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Borrower and that the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. None of the Directors had any material interest in the Agreement and was required to abstain from voting on the relevant board resolution(s).

GENERAL

As the applicable percentage ratio in respect of the Agreement is more than 25% but is less than 100%, the entering into of the Agreement and the transactions contemplated thereunder constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to, among others, Shareholders' approval at the EGM.

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

A circular containing, among other things, (i) details of the Agreement; (ii) the valuation report on the Properties to be pledged under the Agreement; and (iii) a notice of the EGM, is expected to be despatched to the Shareholders on or before 31 March 2022.

DEFINITIONS

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

“Agreement”	the conditional master agreement dated 25 January 2022 and entered into between the Company and the Borrower, in relation to, among others, the pledge of the Properties to assist the obtaining of the Financing
“associate(s)”	has the meaning ascribed to this term under the GEM Listing Rules

“Availability Period”	subject to fulfilment and/or waiver of the conditions precedent of the Agreement, the period commencing from the date of the Agreement and ending on date falling 36 months after the first date of the pledge of the Properties with the Bank(s)
“Bank(s)”	state-owned financial institution(s) in the PRC
“Board”	the board of Directors
“Borrower”	東莞市耀邦集團有限公司 (Dongguan Yaobang Group Co., Ltd. [#]), a company established in the PRC with limited liability
“Company”	Zhi Sheng Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8370)
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Financing”	the financing to be obtained by the Borrower (or its subsidiary) from the Bank(s)
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Management Contract”	the management contract in relation to the grant of exclusive management right for the management of data centres to be entered into between a designated subsidiary of the Company and the Borrower

“Mr. Luo”	Mr. Luo Jinyao (羅錦耀先生)
“Mr. Ma”	Mr. Ma Gary Ming Fai, the executive Director and substantial shareholder of the Company
“PRC”	the People’s Republic of China
“Properties”	a parcel of land and buildings located at 中國四川省成都市溫江區天府鎮新華大道808號 (unofficially translated as “No. 808 Xinhua Avenue, Tianfu Town, Wenjiang District, Chengdu City, Sichuan Province, the PRC”)
“Sales Contract”	the sales contract for data centres to be entered into between the Group and the Borrower
“Security Parties”	each or any one of the Borrower, Mr. Luo and any other person who has provided security or subsequently provides security for all or any part of the Borrower’s obligations under the Agreement
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to this term under the GEM Listing Rules
“WNT”	北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited [#]), a sino-foreign joint venture enterprise established in the PRC and is accounted as a subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

[#] *The English translation of the Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.*

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

Hong Kong, 25 January 2022

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

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.qtbj.com.