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ZENSUN ENTERPRISES LIMITED

正商實業有限公司

*(formerly known as ZH International Holdings Limited
正恒國際控股有限公司)*

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

**CONTINUING CONNECTED TRANSACTION
MANAGEMENT AND SALES SERVICES FRAMEWORK AGREEMENT**

**Independent financial adviser to the independent board committee and
the independent Shareholders**



Management and Sales Services Framework Agreement

On 4 November 2019, the Company and Ever Diamond entered into the Management and Sales Services Framework Agreement pursuant to which the Ever Diamond Group shall conditionally appoint the Group as its service provider to provide the Services to Ever Diamond Group for a term commencing from the Effective Date to 31 December 2021.

Listing Rules Implications

As at the date of this announcement, the entire issued share capital of Ever Diamond is wholly owned by the Discretionary Trust, the Controlling Shareholder, which is interested in approximately 74.77% of the issued share capital of the Company. As such, Ever Diamond is a connected person of the Company and the transactions contemplated under the Management and Sales Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios based on the Annual Caps exceeds 5% and the Annual Caps exceed HK\$10,000,000, the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM

The Company will convene the EGM for the purpose of seeking approval from the independent Shareholders on the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps. An independent board committee comprising all the independent non-executive Directors has been established by the Company to consider the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps, and to advise the independent Shareholders as to whether the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Company has appointed VBG Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance as the independent financial adviser to advise the independent board committee of the Company and the independent Shareholders in this regard.

A circular containing (i) further information on the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps; (ii) a letter of recommendation from the independent board committee of the Company to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or around 25 November 2019.

INTRODUCTION

On 4 November 2019, the Company and Ever Diamond entered into the Management and Sales Services Framework Agreement pursuant to which the Ever Diamond Group shall conditionally appoint the Group as its service provider to provide the Services to Ever Diamond Group. The principal terms of the Management and Sales Services Framework Agreement are set out below.

MANAGEMENT AND SALES SERVICES FRAMEWORK AGREEMENT

Date

4 November 2019

Parties

- (1) the Company as service provider; and
- (2) Ever Diamond.

Subject matter

Under the Management and Sales Services Framework Agreement, the Ever Diamond Group shall conditionally appoint the Group as its service provider to provide the Services to Ever Diamond Group during the Term. Relevant members of Ever Diamond Group may from time to time enter into Individual Agreement(s) with members of the Group in relation to the provision of the Services during the Term, and the terms of the Individual Agreement(s) shall be subject to the terms and conditions of the Management and Sales Services Framework Agreement.

Services to be provided

The Services to be provided by the Group to the Ever Diamond Group under the Management and Sales Services Framework Agreement include the Management Services and the Sales Services.

The Management Services to be provided by the Group to the Ever Diamond Group shall be preliminary project management services, which include, *inter alia*, (i) conducting investigation and feasibility studies; (ii) conducting engineering designs and planning; (iii) representing the Ever Diamond Group to conduct the liaison with the relevant government department in the PRC in relation to quality and safety of the project sites; (iv) supervising the project construction contracts; (v) inspecting the final acceptance report of the contractors of the projects; (vi) representing the Ever Diamond Group to supervise project implementation and organise the final acceptance; (vii) conducting survey on potential customers of the projects; (viii) assisting the Ever Diamond Group on positioning of the projects; and (ix) providing planning design management and preliminary stage administration services of the projects.

The Sales Services to be provided by the Group to the Ever Diamond Group shall be sales management services, which include, *inter alia*, (i) formulating the sales strategies and sales timetable of the properties to be sold under the projects; (ii) execution of the sales and promotion plans of the properties to be sold under the projects; (iii) provision of sales agency services to the Ever Diamond Group for the properties to be sold under the projects; (iv) responsible for the pre-sales and public sales of the properties to be sold under the projects; and (v) administration services in relation to the pre-sales and public sales of the properties to be sold under the projects.

Conditions Precedent

The Management and Sales Services Framework Agreement is conditional on the approval by the independent Shareholders of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder at the EGM.

Term

The Management and Sales Services Framework Agreement shall commence on the Effective Date, and shall continue up to and including 31 December 2021, unless terminated earlier in accordance with the Management and Sales Services Framework Agreement.

Pricing policy

The fees for the Management Services shall be determined based on the following pricing policies:

- (a) if there is any rule, regulation and administration measures in relation to the determination of the fees of the Management Services in the location where the projects are located, the fees for the Management Services charged by the Group shall be determined based on such rule, regulation and administration measures;
- (b) if there is no rule, regulation and administration measures in relation to the determination of the fees of the Management Services in the location where the projects are located, the fees for the Management Services charged by the Group shall be determined based on the industry guidance price in the property development industry; and
- (c) if there is no rule, regulation and administration measures nor industry guidance price in the property development industry in relation to the determination of the fees of the Management Services in the location where the projects are located, the fees for the Management Services charged by the Group shall be a fixed percentage fee of the sales price of the total gross floor area under development, as determined by the Group and the Ever Diamond Group on a fair and reasonable basis taking into account (i) the site areas under development; (ii) the expected sales price per square metre of the site areas under development and the expected development progress of the project; and (iii) the advice of external consultants on the prevailing market rate of Management Services charged by Independent Third Parties in comparable transactions. The Group and the Ever Diamond Group shall ensure that the Individual Agreements in relation to the Management Services shall be on normal commercial terms or better.

The fees for the Sales Services shall be determined based on the following pricing policies:

- (a) if there is any rule, regulation and administration measures in relation to the determination of the fees of the Sales Services in the location where the projects are located, the fees for the Sales Services charged by the Group shall be determined based on such rule, regulation and administration measures;
- (b) if there is no rule, regulation and administration measures in relation to the determination of the fees of the Sales Services in the location where the projects are located, the fees for the Sales Services charged by the Group shall be determined based on the industry guidance price in the property development industry; and
- (c) if there is no rule, regulation and administration measures nor industry guidance price in the property development industry in relation to the determination of the fees of the Sales Services in the location where the projects are located, the fees for the Sales Services charged by the Group shall be a fixed percentage fee of the sales price of the total gross floor area to be sold, as determined by the Group and the Ever Diamond Group on a fair and reasonable basis taking into account (i) the saleable gross floor area to be sold; (ii) the expected sales price per square metre of the saleable gross floor area; and (iii) the advice of external consultants on the prevailing market rate of Sales Services charged by Independent Third Parties in comparable transactions. The Group and the Ever Diamond Group shall ensure that the Individual Agreements in relation to the Sales Services shall be on normal commercial terms or better.

Historical transaction amounts

As at the date of this announcement, no Service has been provided by the Group to the Ever Diamond Group.

Annual Caps

The Company expects that the Annual Caps in respect of the Services to be provided by the Group to the Ever Diamond Group under the Management and Sales Services Framework Agreement for each of the three financial years ending 31 December 2021 will be as follows:

	For the financial years ending 31 December		
	2019	2020	2021
	RMB	RMB	RMB
Annual Caps under the Management and Sales Services Framework Agreement	220,000,000	310,000,000	200,000,000

Each of the Annual Caps has been determined with reference to:

- (a) estimated fees chargeable by the Group in relation to the Management Services based on a fixed percentage fee of 5% of the sales price of the total gross floor area under development, as determined by the Group and the Ever Diamond Group based on (i) the site areas under development by the Ever Diamond Group during the Term; (ii) the expected sales price per square metre of the site areas under development and the expected development progress of the projects of the Ever Diamond Group during the Term. Such fixed percentage fee of 5% is determined by the Group after considering the advice of an external consultant on the market rate of the Management Services; and
- (b) estimated fees chargeable by the Group in relation to the Sales Services based on a fixed percentage fee of 2% of the sales price of the total gross floor area to be sold, as determined by the Group and the Ever Diamond Group based on (i) the saleable gross floor area to be sold of the Ever Diamond Group during the Term; and (ii) the expected sales price per square metre of the saleable gross floor area of the Ever Diamond Group during the Term. Such fixed percentage fee of 2% is determined by the Group after considering the advice of an external consultant on the market rate of the Sales Services.

INTERNAL CONTROL

The Company has formulated internal procedures and controls to ensure that the transactions contemplated under the Management and Sales Services Framework Agreement are properly controlled and monitored. Such internal procedures and controls are conducted and supervised by various units of the Company:

- (a) when the Ever Diamond Group approach the Group for provision of the Management Services and/or Sales Services, the business unit of the Group responsible for the provision of the Management Services and/or Sales Services would prepare the Individual Agreements based on the terms of the Management and Sales Services Framework Agreement and the fees under the Individual Agreements shall be based on the pricing policies of the Management Services and/or Sales Services;
- (b) the draft Individual Agreements shall be reviewed by the finance department and the internal audit department to ensure the terms are not inconsistent with the Management and Sales Services Framework Agreement and the fees of such Individual Agreements, together with executed Individual Agreements would not exceed the Annual Caps;
- (c) the draft Individual Agreements shall then be approved by the executive Director responsible for overseeing the connected transaction of the Company;
- (d) the finance department will conduct regular monitoring on the actual transaction amount of the Group under the Management and Sales Services Framework Agreement;
- (e) the transactions contemplated under the Management and Sales Services Framework Agreement shall be subject to the following annual review by the independent non-executive Directors pursuant to Rules 14A.55 to 14A.59 of the Listing Rules; and
- (f) the auditors of the Company shall report to the Board annually in relation to the matters set out in 14A.56 of the Listing Rules.

In view of the pricing policies and internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the Management and Sales Services Framework Agreement will be conducted on normal commercial terms and in the interests of the Company and the Shareholders.

REASONS FOR AND BENEFITS OF THE MANAGEMENT AND SALES SERVICES FRAMEWORK AGREEMENT

The Group is principally engaged in property development, property investment and management, hotel operations and securities trading and investment. As at 30 June 2019, the Group has two completed property projects and 30 on-going complex property projects on hand with 81 land parcels under development and planning with total site area of approximately 3.7 million square metres and aggregated estimated gross floor area of approximately 10.1 million square metres or estimated saleable/leasable gross floor area of approximately 7.1 million square metres in the PRC.

The Board considers the transactions contemplated under the Management and Sales Services Framework Agreement will have a synergy effect with the existing business of the Group, while reducing competition between the Group and the Ever Diamond Group for business opportunities. The Board expects the Group will centrally manage and organise the development, branding and marketing of property development projects of the Group and the Ever Diamond Group, which will benefit the property development projects of both the Group and Ever Diamond Group. As such, the Board is of the view that going forward the management can focus their efforts in developing the Group into a flagship group with a focus on property development in the PRC. The Group shall enhance its knowledge, through the provision of Services, on those projects under the Ever Diamond Group subject to the Management Services and Sales Services, the Group may consider acquiring the corresponding project companies or the land parcels directly for its own development.

In addition, the Board considers management services to other property developers in the PRC becomes popular in the market with prosperous business potential, and the Management Services and Sales Services shall diversify the source of income of the Group and provide new driver to profits of the Group. The Board is confident that the Group possesses the necessary expertise and know-how to provide management services to other property developers in the PRC and will hire additional staff as this business segment continues to develop.

Based on (i) the current pricing policies of the fees under the Management and Sales Services Framework Agreement; (ii) the costs of the property development and management staff; and (iii) the market rates charged by other independent third parties for each of the Management Services and Sales Services, the Directors (other than the independent non-executive Directors constituting the independent board committee whose view will be given after considering the advice to be given by the independent financial adviser) are of the opinion that the terms of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are on normal commercial terms and are fair and reasonable and the entering into of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are in the interests of the Group and the Shareholders as a whole and would bring profits to the Group.

As Ms. Huang Yanping is the settlor and protector of the Discretionary Trust and Mr. Zhang Jingguo is the spouse of Ms. Huang Yanping, both Mr. Zhang Jingguo and Ms. Huang Yanping are considered to have a material interest in the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and had abstained from voting on the Board resolutions of the Company to approve the Management and Sales Services Framework Agreement and the transactions contemplated thereunder. Save for the aforementioned, no other Director has a material interest in the Management and Sales Services Framework Agreement and therefore is required to abstain from voting on the Board resolutions of the Company to approve the Management and Sales Services Framework Agreement and the transactions contemplated thereunder.

INFORMATION ON THE GROUP AND EVER DIAMOND GROUP

The Group is principally engaged in property development, property investment and management, hotel operations and securities trading and investment.

Ever Diamond is a company incorporated in Hong Kong with limited liability and its principal business is investment holding. As at 30 June 2019, it was the holding company of 37 companies established in the PRC engaging in property development business in the PRC and Ever Diamond Group engaged in 32 property development projects or project phases in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the entire issued share capital of Ever Diamond is wholly owned by the Discretionary Trust, the Controlling Shareholder which is interested in approximately 74.77% of the issued share capital of the Company. As such, Ever Diamond is a connected person of the Company and the transactions contemplated under the Management and Sales Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios based on the Annual Caps exceeds 5% and the Annual Caps exceed HK\$10,000,000, the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM

The Company will convene the EGM for the purpose of seeking approval from the independent Shareholders on the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

Joy Town Inc., the Controlling Shareholder holding 7,697,492,188 Shares, representing approximately 74.77% of the entire issued share capital of the Company as at the date of this announcement, and its associates shall be required to abstain from voting on the resolution of the Company in approving the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution of the Company in approving the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps at the EGM.

An independent board committee comprising all the independent non-executive Directors has been established by the Company to consider the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps, and to advise the independent Shareholders as to whether the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are on normal commercial terms or better and fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Company has appointed VBG Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance as the independent financial adviser to advise the independent board committee of the Company and the independent Shareholders in this regard.

GENERAL

A circular containing (i) further information on the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps; (ii) a letter of recommendation from the independent board committee of the Company to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or around 25 November 2019.

DEFINITION

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“Annual Caps”	the maximum aggregate annual transaction amounts payable by the Ever Diamond Group to the Group for the Services for each of the three financial years ending 31 December 2021
“Board”	the board of Directors
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Zensun Enterprises Limited (formerly known as ZH International Holdings Limited), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 185)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Discretionary Trust”	the discretionary trust established by Ms. Huang Yanping, a Director, as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee and the Controlling Shareholder

“Effective Date”	the date on which the all conditions precedents set out in the Management and Sales Services Framework Agreement, which are set out in the sub-paragraph headed “Conditions Precedent” under the paragraph headed “Management and Sales Services Framework Agreement” in this announcement, are fulfilled
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps
“Ever Diamond”	Ever Diamond Global Company Limited, a company incorporated under the laws of Hong Kong and wholly owned by the Discretionary Trust and a connected person of the Company
“Ever Diamond Group”	Ever Diamond and its subsidiaries from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a person(s) or company(ies) who/which is or are independent of and not connected with the Company and connected persons of the Company
“Individual Agreement(s)”	individual agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the Ever Diamond Group from time to time in relation to provision of the Services at any time during the Term and pursuant to the Management and Sales Services Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Management and Sales Services Framework Agreement”	the agreement in relation to the provision of the Services from the Group to the Ever Diamond Group entered into between the Company and Ever Diamond on 4 November 2019

“Management Services”	the provision of preliminary project management services from the Group to the Ever Diamond Group, details of which are set out under sub-paragraph headed “Services to be provided” under the paragraph headed “Management and Sales Services Framework Agreement” in this announcement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Services”	the provision of sales management services from the Group to the Ever Diamond Group, details of which are set out under sub-paragraph headed “Services to be provided” under the paragraph headed “Management and Sales Services Framework Agreement” in this announcement
“Services”	the Management Services and the Sales Services
“Shareholders”	the holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
“Term”	has the meaning set out in the sub-paragraph headed “Term” under the paragraph headed “Management and Sales Services Framework Agreement” in this announcement
“%”	per cent

By Order of the Board
Zensun Enterprises Limited
Zhang Jingguo
*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 4 November 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Jingguo and Mr. Zhang Guoqiang; the non-executive Director is Ms. Huang Yanping and the independent non-executive Directors are Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao.