

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zensun Enterprises Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Alliance Capital Partners Limited
同人融資有限公司

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



建泉融資有限公司
VBG Capital Limited

A letter from the board of directors of Zensun Enterprises Limited (the “Company”) is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee (as defined herein) is set out on pages 19 to 20 of this circular. A letter from VBG Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders (as defined herein) of the Company, is set out on pages 21 to 39 of this circular.

A notice convening the EGM (as defined herein) to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Friday, 20 December 2019 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM of the Company is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.zensunenterprises.com>). Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Friendly Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. not later than Wednesday, 18 December 2019 at 10:00 a.m.). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

References to time and dates in this circular are referring to Hong Kong time and dates.

3 December 2019

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DEFINITION

In this circular, unless the context otherwise requires, the following terms and expressions have the following meaning:

“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
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No.8 or above or a “black rainstorm” warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for general banking business in Hong Kong
“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, a Director, as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee and the Controlling Shareholder

DEFINITION

“Effective Date”	the date on which all the 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 the letter from the Board as set out on pages 5 to 18 of this circular, are fulfilled
“EGM”	the extraordinary general meeting of the Company to be convened and held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Friday, 20 December 2019 at 10:00 a.m. to consider and, if appropriate, to approve the resolution contained in the EGM Notice which is set out on pages EGM-1 to EGM-3 of this circular, or any adjournment thereof
“EGM Notice”	the notice convening the EGM set out on pages EGM-1 to EGM-3 of this circular
“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
“GFA”	gross floor area
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	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
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Dr. Liu Qiao, Mr. Liu Da and Mr. Ma Yuntao, formed to advise the Independent Shareholders in relation to the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps

DEFINITION

“Independent Financial Adviser” or “VBG Capital”	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 SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Zhang, Ms. Huang and their respective associates
“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
“Latest Practicable Date”	27 November 2019, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 the letter from the Board as set out on pages 5 to 18 of this circular
“Mr. Zhang”	Mr. Zhang Jingguo, the Chairman, Chief Executive Officer and executive Director of the Company
“Ms. Huang”	Ms. Huang Yanping, the non-executive Director and a controlling shareholder of the Company

DEFINITION

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region 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 the letter from the Board as set out on pages 5 to 18 of this circular
“Services”	the Management Services and the Sales Services
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
“USA”	the United States of America
“Term”	has the meaning set out in the sub-paragraph headed “Term” under the paragraph headed “Management and Sales Services Framework Agreement” in this circular
“%”	per cent

English names marked with “*” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Jingguo

(Chairman and Chief Executive Officer)

Mr. Zhang Guoqiang

Non-executive Director:

Ms. Huang Yanping

Independent Non-executive Directors:

Mr. Liu Da

Dr. Liu Qiao

Mr. Ma Yuntao

*Registered office and principal place
of business in Hong Kong:*

24th Floor

Wyndham Place

40-44 Wyndham Street

Central, Hong Kong

3 December 2019

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
MANAGEMENT AND SALES SERVICES FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2019 in relation to, among other things, the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

The purpose of this circular is to provide you with, among other things, (i) details of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps; (ii) the recommendation from the Independent Board Committee in respect of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps; (iii) the letter of advice from VBG Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps; and (iv) the EGM Notice.

LETTER FROM THE BOARD

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 the Ever Diamond Group during the Term. Relevant members of the 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.

LETTER FROM THE BOARD

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 and the Annual Caps 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

LETTER FROM THE BOARD

- (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 GFA 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 GFA 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 GFA to be sold; (ii) the expected sales price per square metre of the saleable GFA; 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.

LETTER FROM THE BOARD

Payment terms

The payment terms will be subject to the terms of the Individual Agreements, nonetheless:

- (a) the maximum percentage fee for the Management Services shall not exceed 5% which shall be payable semi-annually in arrears based on the total GFA under development. The determination date of the total GFA under development for each half year shall be 30 June and 31 December and the total GFA under development shall be notified by the Group to the Ever Diamond Group no later than 10 Business Days after the determination date, and the Ever Diamond Group shall inform the Group of any objections to the total GFA under development for the respective half year in writing within 5 Business Days of the date of receipt of the notification. If no objections are received by the Group, the total GFA under development shall be deemed final and an invoice will be issued by the Group to the Ever Diamond Group, which should be paid within 30 days of the date of issuance of the invoice; and
- (b) the maximum percentage fee for the Sales Services shall not exceed 2% which shall be payable semi-annually in arrears based on the total GFA sold. The determination date of the total GFA sold for each half year shall be 30 June and 31 December and the total GFA sold shall be notified by the Group to the Ever Diamond Group no later than 10 Business Days after the determination date, and the Ever Diamond Group shall inform the Group of any objections to the total GFA sold for the respective half year in writing within 5 Business Days of the date of receipt of the notification. If no objections are received by the Group, the total GFA sold shall be deemed final and an invoice will be issued by the Group to the Ever Diamond Group, which should be paid within 30 days of the date of issuance of the invoice.

Historical transaction amounts

As at the Latest Practicable Date, no Service has been provided by the Group to the Ever Diamond Group.

LETTER FROM THE BOARD

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
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Annual Caps of the transactions 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 GFA 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 GFA to be sold, as determined by the Group and the Ever Diamond Group based on (i) the saleable GFA to be sold of the Ever Diamond Group during the Term; and (ii) the expected sales price per square metre of the saleable GFA 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.

LETTER FROM THE BOARD

Proportion of the transactions contemplated under the Management and Sales Services Framework Agreement to the Group

In the Group's property development business in the PRC, the Group receives advanced payments from customers as established in the property sales contracts at the time of sale and recognises as revenue when the performance obligation is satisfied upon delivery of the properties. Any such advanced sales proceeds received from customers but not delivered are recorded in contract liabilities under current liabilities of the Group. As at 30 June 2019, the carrying amount of the contract liabilities amounted to approximately RMB17.1 billion, primarily representing the advanced sales proceeds received from customers of the pre-sold properties that are under development before delivery. The Group will deliver these pre-sold properties to customers in projects or phases upon completion and in a manner as established in the property sales contracts.

As at 30 June 2019, the Group has 30 on-going complex property projects under development and planning with total site area of approximately 3.7 million sq.m. and aggregated estimated GFA of approximately 10.1 million sq.m. or estimated saleable/leasable GFA of approximately 7.1 million sq.m. in the PRC. It is expected that these property projects will be gradually completed and delivered to customers in projects or phases during 2019 and 2023. Based on the Group's current development progress and delivery schedule, there will be 4, 8 and 10 complex property projects newly completed for the three financial years ending 31 December 2019, 2020 and 2021, respectively. Certain units of these properties projects were already pre-sold to customers as at 30 June 2019 as set out in the following table with the estimated saleable/leasable GFA expected to be delivered during the three financial years ending 31 December 2019, 2020 and 2021:

	As at 30 June 2019	For the financial years ending 31 December			For the remaining subsequent financial years
		2019	2020	2021	
Estimated saleable/leasable GFA pre-sold and expected to be delivered (sq.m.)	1,666,724	572,077	627,797	441,747	25,103
Percentage (%) of saleable/leasable GFA pre-sold and expected to be delivered as at 30 June 2019	100%	34%	38%	26%	2%

Contract liabilities as at 30 June 2019 was expected to be recognised in the Group's revenue following the project delivery schedule for the three financial years ending 31 December 2019, 2020 and 2021.

LETTER FROM THE BOARD

Based on an estimation after taking into account (i) contract liabilities to be recognised upon delivery, (ii) project delivery schedule and (iii) sales schedule of the projects of the Group, the Board expects the revenue of the Group to increase for each of the three financial years ending 31 December 2021. The following table sets out the estimated revenue and the proportion of the Annual Caps of the transactions under the Management and Sales Services Framework Agreement to the estimated revenue by the Group for the three financial years ending 31 December 2019, 2020 and 2021:

	For the financial years ending 31 December			Aggregate for the three financial years ending 31 December
	2019	2020	2021	2021
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual Caps	220	310	200	730
Estimated revenue (<i>Note 1</i>)	9,035	10,292	11,322	30,649
	<i>(Note 2)</i>			
Transaction proportion (%)	2.4%	3.0%	1.8%	2.4%

Note:

- (1) The estimated revenue would include contract liabilities expected to be recognised in the respective financial years. However, delays in construction, regulatory approval and other processes may adversely affect the timetable for projects of the Group. Therefore, the actual amount of revenue to be recognised for the three years ending 31 December 2021 may be different from the expected amount mentioned in this circular.
- (2) The estimated revenue of the Group for the financial year ending 31 December 2019 comprises of the revenue for the nine months ended 30 September 2019 of approximately RMB469 million and the estimated revenue for the three months ending 31 December 2019 of approximately RMB8,566 million.

For the nine months ended 30 September 2019, the Group recognised revenue of approximately RMB469 million, which are substantially contributed from the sale of existing completed properties. As compared to the revenue of the Group for the year ended 31 December 2018 of approximately RMB601,740,000, the amount of contract liabilities to be recognised in each of the three financial years ending 31 December 2019, 2020 and 2021 are expected to be substantially higher than 2018 as there was no delivery of newly completed property development projects for the Group for the year ended 31 December 2018, of which the Group's revenue was primarily derived from the sale of the existing completed properties.

LETTER FROM THE BOARD

Reliance on connected persons

The Directors are of the view that the Group will not have heavy reliance on Ms. Huang and her associates and the business of the Company is sustainable due to the following factors:

- (a) prior to the entering of the Management and Sales Services Framework Agreement, there were no Management Services and Sales Services being provided by the Group to the Ever Diamond Group. In addition, the revenue of the Group amounted to approximately RMB601.5 million for the financial year ended 31 December 2018 without the income from the provision of Management Services and Sales Services to the Ever Diamond Group. The reason of entering into of the Management and Sales Services Framework Agreement would be to develop the Group into a flagship group in the property development in the PRC, diversify the source of income of the Group and provide new driver to profits of the Group; and
- (b) as shown in the above table, the respective proportion of the Annual Caps of the transactions under the Management and Sales Services Framework Agreement to the estimated revenue for the three financial years ending 31 December 2021 accounted only from range of 1.8% to 3.0% and in aggregate proportion at 2.4%. Such proportion is not considered to be significant to the Group's estimated revenue for the three financial years ending 31 December 2021.

As such, the revenue of the Group does not constitute a heavy reliance on Ms. Huang and her associates. Regardless of the business relationship between the Group and Ms. Huang and her associates, the Group engaged five operating business including property development in the PRC, property investment and management in the USA in American Housing REIT, Inc. ("AHR") and property management provided to Global Medical REIT, Inc., property investment other than AHR, securities trading and investment and hotel operations to maintain healthy and sustainable development.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

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 as a whole.

LETTER FROM THE BOARD

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 sq.m. and aggregated estimated GFA of approximately 10.1 million sq.m. or estimated saleable/leasable GFA of approximately 7.1 million sq.m. 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 the 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.

LETTER FROM THE BOARD

As Ms. Huang is the settlor and protector of the Discretionary Trust and Mr. Zhang is the spouse of Ms. Huang, both Mr. Zhang and Ms. Huang 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 THE 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 Latest Practicable Date, 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 EGM Notice is set out on pages EGM-1 to EGM-3 of this circular.

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 Latest Practicable Date, 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

LETTER FROM THE BOARD

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.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Friendly Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than Wednesday, 18 December 2019 at 10:00 a.m.). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish.

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, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO as the independent financial adviser to advise the Independent Board Committee of the Company and the Independent Shareholders in this regard.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward at the EGM pursuant to Article 57 of the Articles of Association. An announcement of the results of the poll will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 17 December 2019 to Friday, 20 December 2019, both dates inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Friendly Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than Monday, 16 December 2019 at 4:30 p.m..

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the advice of VBG Capital) consider that the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are (i) on normal commercial terms and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders in relation to the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps after taking into account the advice from VBG Capital, and the letter from VBG Capital as set out on pages 21 to 39 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Zensun Enterprises Limited
Zhang Jingguo
*Chairman, Chief Executive Officer and
Executive Director*



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)

3 December 2019

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 3 December 2019 (the “Circular”), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to give a recommendation to the Independent Shareholders as to whether the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; (iii) are in the interests of the Company and the Shareholders as a whole, and to give a recommendation as to voting at the EGM.

We wish to draw your attention to the letter from the Board and the letter of advice from VBG Capital as set out in the Circular. Having considered the terms of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the advice given by VBG Capital, we are of the opinion that the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps are (i) on normal commercial terms and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Liu Da
Independent
non-executive Director

Dr. Liu Qiao
Independent
non-executive Director

Mr. Ma Yuntao
Independent
non-executive Director

LETTER FROM VBG CAPITAL

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

3 December 2019

*To: The independent board committee and the independent shareholders
of Zensun Enterprises Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION MANAGEMENT AND SALES SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect the Management and Sales Services Framework Agreement and the transactions contemplated thereunder (the “**Transactions**”) and the Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 3 December 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

Reference is made to the Company’s announcement dated 4 November 2019 in relation to the 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 the Ever Diamond Group for a term commencing from the Effective Date to 31 December 2021. The Company expects 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 to be RMB220,000,000, RMB310,000,000 and RMB200,000,000 for each of the three financial years ending 31 December 2019, 2020 and 2021, respectively.

According to the Letter from the Board, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Management and Sales Services Framework Agreement, the Transactions and the Annual Caps are therefore subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM VBG CAPITAL

The Independent Board Committee comprising Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Management and Sales Services Framework Agreement and the Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Management and Sales Services Framework Agreement, the Transactions and the Annual Caps at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company relating to (i) the continuing connected transactions of which a circular dated 22 November 2018 was issued; (ii) the subscription of new shares of which a circular dated 23 May 2019 was issued; and (iii) the existing engagement in relation to the Management and Sales Services Framework Agreement, the Transactions and the Annual Caps, we did not have any business relationship with the Company within the past two years. Save for the fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company (as defined in the Listing Rules) or any of their associates (as defined in the Listing Rules). We consider ourselves independent to form our opinion in respect of the Management and Sales Services Framework Agreement, the Transactions and the Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Management and Sales Services Framework Agreement, the Transactions and the Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the announcement and the Circular regarding the Transactions). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

LETTER FROM VBG CAPITAL

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Ever Diamond Group or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Management and Sales Services Framework Agreement, the Transactions and the Annual Caps. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the Annual Caps are relating to future events and estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021, and they do not represent forecasts of revenues or costs to be recorded from the Management and Sales Services Framework Agreement. Consequently, we express no opinion as to how closely the actual revenue and cost to be incurred under the Management and Sales Services Framework Agreement will correspond with the proposed Annual Caps.

LETTER FROM VBG CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Management and Sales Services Framework Agreement, the Transactions and the Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Transactions

Information on the Group

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

Set out below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2019 and 2018, and the two years ended 31 December 2018 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "2019 Interim Report") and its annual report for the year ended 31 December 2018, respectively:

	For the six months ended 30 June 2019 (unaudited) RMB'000	For the six months ended 30 June 2018 (unaudited & restated) RMB'000	For the year ended 31 December 2018 (audited) RMB'000	For the year ended 31 December 2017 (audited & restated) RMB'000
Revenue	327,890	321,533	601,470	1,100,419
Profit for the period/year	37,487	28,825	28,492	131,602

The Group derives its revenue mainly from the property development business in the PRC. Since 2018, the Group has adopted the strategy of providing "high quality" products to the customers, under which most of the Group's property development projects are designed to be delivered with full refurbishment. In alignment with such strategy, there was no delivery of newly completed property development projects for the Group in 2018 as a longer development schedule was required for the full refurbishment, as compared to the successful launch of first delivery of two completed property projects in 2017. For this reason, the Group's revenue decreased by approximately 45.3% in 2018 as compared to the prior year. During the six months ended 30 June 2019, the Group's revenue stayed relatively stable as compared to the corresponding period of the prior year. Given the satisfactory performance of the Group's property development business in the PRC, the Group has been able to turn around its loss making position since the year ended 31 December 2017, and enjoys persistent net profit for two consecutive financial years till now.

LETTER FROM VBG CAPITAL

With reference to the 2019 Interim Report, the Group maintains a proactive strategy in the property development business with continual effort in expanding land reserves in the PRC. In the first half of 2019, the Group has completed six land acquisitions contributing total site area of approximately 288,000 sq.m. and aggregate estimated GFA of approximately 1.0 million sq.m. in support of its land reserves in the PRC. These successful land acquisitions complemented the Group's strategy in expanding its business operation with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC. As at 30 June 2019, the Group had 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 sq.m. and aggregate estimated GFA of approximately 10.1 million sq.m. or estimated saleable/ leasable GFA of approximately 7.1 million sq.m. in the PRC. Shareholders may refer to the section headed "Proportion of the transactions contemplated under the Management and Sales Services Framework Agreement to the Group" of the Letter from the Board regarding the expected completion and delivery schedule of the aforesaid 30 on-going property projects of the Group. As advised by the Directors, the Group will adjust its pace of business expansion and project development progress as and when appropriate.

Information on the Ever Diamond Group

As extracted from the Letter from the Board, 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 the Ever Diamond Group was engaged in 32 property development projects or project phases in the PRC. As advised by the Directors, among those property development projects, 12 of them (the "ED Projects"), which are mostly located in Zhengzhou City and pending for substantial development progress and sale activities, are subject to the Management and Sales Services Framework Agreement.

Industry overview

The PRC's property market

According to the preliminary estimation published by the National Bureau of Statistics of China in February 2019 at <http://www.stats.gov.cn>, the national property sector expanded with the total investment in real estate reaching approximately RMB12,026.4 billion in 2018, representing an approximate 9.5% growth; among which the investment in residential properties went up by approximately 13.4%. The total floor space newly commenced construction in 2018 was approximately 2,093.4 million sq.m., up by approximately 17.2% as compared to the prior year, among which the floor space newly commenced construction of residential properties increased by approximately 19.7%. The total floor space of commercial buildings sold in 2018 was approximately 1,716.5 million sq.m., up by approximately 1.3%; among which the floor space of residential properties sold jumped by approximately 2.2%. The total sales of commercial buildings in 2018 were approximately RMB14,997.3 billion, up by approximately 12.2%, among which the sales of residential properties jumped by approximately 14.7%.

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The property market of Zhengzhou City

Zhengzhou City is the provincial capital of Henan Province in east-central PRC, and is one of the top 15 First-tier Cities in the PRC. According to the statistics released by the Zhengzhou Bureau of Statistics in June 2019 at <http://tjj.zhengzhou.gov.cn>, advancement in the property sector of Zhengzhou City has been observed. Despite the slight year-on-year decrease in total investment in real estate of approximately 3.0% to approximately RMB325.8 billion in 2018, the total floor space sold and total sales were approximately 37.1 million sq.m. and RMB313.4 billion, respectively, representing a growth of approximately 19.8% and 17.2%, respectively as compared to the prior year. The total floor space of residential buildings sold and sales of residential buildings in 2018 were approximately 33.3 million sq.m. and RMB271.6 billion, respectively, representing an increase of approximately 21.8% and 19.3%, respectively as compared to the prior year.

The construction management services and real estate sales services sector

According to a research report published by the China Index Academy on 9 April 2019 titled 《代建行業發展正當時 綠城代建的2018成績單》, owing to the reform of regulatory policies and market structure, real estate enterprises in the PRC have opened up a diversified development path. The light-asset construction management model focusing on brand and management output is becoming a new point of profit growth for real estate enterprises. Furthermore, according to a research report titled “Greentown China Holdings: Moving toward an Asset-light Business Model” published by E-House (China) Enterprise Holdings Limited (“E-House”) on 1 June 2018, with an increasing number of players in the property market, industry concentration, and tightening government regulations, the traditional asset-heavy development model is no longer as lucrative, and in some aspects, riskier than in the past. As a result, many of the PRC’s sizeable and long-standing real estate enterprises are restructuring their businesses from an asset-heavy model towards an asset-light model, emphasizing on intangibles such as brand value, management capacity and advisory services. As further indicated by E-House, the construction management services sector of the PRC, though currently relatively small in scale, is expected to have huge potential for growth. As a matter of fact, in the United States of America, this sector accounted for around 30% of the property market; whilst in the PRC, it only accounted for less than 2% of the property market.

As regards to the real estate sales services sector, according to a research report titled 《房地產經紀行業：多業態群雄割據，行業O2O化成趨勢》 published by the China Galaxy Securities Research Institute* (中國銀河證券研究院) on 5 July 2019, the average agency sales of the top ten real estate agents in the PRC reached approximately RMB210.9 billion in 2018, and their average revenue growth remained steady at approximately 2.3% in 2018. The total market size of the real estate sales agency sector in 2018 was approximately RMB126.0 billion, and it is expected that alongside with the expansion of the PRC’s property market, the total market size of the real estate sales agency sector will exceed RMB200 billion in 2022.

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Based on the publicly available information, China Index Academy is a large independent property research organisation with more than 15 offices nationwide in the PRC, and it possesses experienced research teams to cover real-time transaction data in 300 cities across the PRC. E-House is a company engages in real estate transaction services and is listed on the Stock Exchange (stock code: 2048). The revenue of E-House from real estate agency services in the primary market in 2017 was the largest and its real estate brokerage network by number of stores as at 31 December 2017 was the second largest according to a research report issued by Cushman & Wakefield, an independent global real estate services firm that provides real estate market research and consulting services, as contained in E-House's listing prospectus dated 10 July 2018. As for China Galaxy Securities Research Institute* (中國銀河證券研究院), it is a research institution which provides research and/or advisory services for government departments and regulatory authorities, private companies, and international and institutional investors, and is managed by China Galaxy Securities Co., Ltd., a company which is listed on the Stock Exchange (stock code: 6881). We have referred to the research reports in this sub-section after considering (i) the recency of their publication date; (ii) their relevance to the construction management services and real estate sales services sector of the PRC; and (iii) the degree of their credibility based on the background of their respective publisher.

Reasons for the Transactions

As aforementioned, 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 had 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 sq.m. and aggregated estimated GFA of approximately 10.1 million sq.m. or estimated saleable/ leasable GFA of approximately 7.1 million sq.m. in the PRC. The Board considers the Transactions 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 the Ever Diamond Group. As such, the Board is of the view that going forward the management can focus their efforts on developing the Group into a flagship group with focus on property development in the PRC.

Moreover, 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 the 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.

As presented under the sub-section headed "Information on the Group" of this letter of advice, the Group derives its revenue mainly from the property

development business in the PRC. Given the satisfactory performance of this principal business, the Group has been able to turn around its loss making position since the year ended 31 December 2017, and enjoys persistent net profit for two consecutive financial years till now. With reference to the 2019 Interim Report, the Group maintains a proactive strategy in the property development business with continual effort in expanding land reserves in the PRC. The successful land acquisitions in recent years complemented the Group's strategy in expanding its business operation with focus on Zhengzhou City and other first and second tier cities in the PRC. In this relation, we notice that a majority of the ED Projects are also located in Zhengzhou City. Judging from the aforesaid, we concur with the Directors that the Transactions may create 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 Transactions may also allow the Group to centrally manage and organise the development, branding and marketing of property development projects of the Group and the Ever Diamond Group, which are both mainly located in Zhengzhou City. Besides, leveraging on the overall growth of the property market of the PRC as presented under the sub-section headed "Industry overview" of this letter of advice, the construction management services and real estate sales services sector would likely to be benefited and enjoy positive development prospects. Therefore, the Transactions, as a stepping stone for the Group to tap into those sectors, would be able to diversify the source of income of the Group and provide new driver to profits of the Group, not to mention to build up the Group as a flagship real estate enterprise in the PRC.

Taking into account the above reasons for the Transactions, we concur with the Directors that the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the 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 the Ever Diamond Group during the Term. Relevant members of the 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

LETTER FROM VBG CAPITAL

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.

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:

- (i) 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;

LETTER FROM VBG CAPITAL

- (ii) 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
- (iii) 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 GFA under development, as determined by the Group and the Ever Diamond Group on a fair and reasonable basis taking into account (a) the site areas under development; (b) the expected sales price per sq.m. of the site areas under development and the expected development progress of the project; and (c) 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:

- (i) 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;
- (ii) 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
- (iii) 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 GFA to be sold, as determined by the Group and the Ever Diamond Group on a fair and reasonable basis taking into account (a) the saleable GFA to be sold; (b) the expected sales price per sq.m. of the saleable GFA; and (c) the advice of external consultants on the prevailing market rate of Sales Services charged by Independent Third Parties in comparable

LETTER FROM VBG CAPITAL

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.

In accordance with the aforesaid pricing policies, the Directors confirmed us that the Group currently expects the fees chargeable by the Group in relation to the Management Services and the Sales Services to be a fixed percentage fee of 5% (the “**Management Services Fee**”) and 2% (the “**Sales Services Fee**”, together with the Management Services Fee, the “**Services Fees**”), respectively.

The Industry Research

Upon our enquiry with the Directors, we understand that as at the Latest Practicable Date, the Group had neither provided the Services to the Ever Diamond Group nor any Independent Third Party. As a result, we are unable to make a relevant comparison to assess the Services Fees. Notwithstanding this, we were further advised by the Directors that the Service Fees are determined by the Group after considering the advice of an external consultant (the “**Industry Consultant**”) on the respective market rates of the Management Services and the Sales Services (the “**Industry Research**”).

For our due diligence purpose, we have enquired into (i) the Company’s selection criteria and terms of engagement of the Industry Consultant; (ii) the Industry Consultant’s qualification and experience in relation to the preparation of the Industry Research; and (iii) the work conducted by the Industry Consultant for preparing the Industry Research. From our discussion with the Directors, we understand that the Industry Consultant has been selected based on its independence, global presence, extensive industry coverage and rich experience in initial public offerings practice. We have reviewed the mandate letter entered into between the Company and the Industry Consultant and other relevant information provided by the Industry Consultant, and are satisfied with the terms of engagement of the Industry Consultant as well as its qualification and experience for preparation of the Industry Research. After studying the Industry Research, we notice that the market fees for services similar to the Management Services in the PRC generally account for 3% to 5% of the total contract sum; while those for services similar to the Sales Services in the PRC are usually 2% of the aggregate transaction amount. Thus, the Management Services Fee is at the high end of the normal market rate whereas the Sales Services Fee is equivalent to the normal market rate.

Market comparables analysis

We have not only relied on the Industry Research, but also our independent research to assess the fairness and reasonableness of the Services Fees. To this end, we have searched for new or renewal or revision of continuing connected transactions involving the provision of services similar to the Services in the PRC by companies listed on the Stock Exchange to their connected persons (the “**Comparable Transactions**”) during the period from October 2016 to October 2019,

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being an approximate three-year period before the date of the Management and Sales Services Framework Agreement to allow for a reasonable sample size. To the best of our knowledge and as far as we are aware of, we identified ten Comparable Transactions which we consider to be exhaustive. The table below illustrates the relevant information of the Comparable Transactions:

Date of circular	Company name (Stock code)	Type of services	Scope of services	Fee	Location of the property projects
9 April 2019	CGN Power Co., Ltd. (1816)	Management services	Mainly including pre-construction engineering services, survey, design and technical services, engineering project management services, engineering, procurement and construction services, bidding agency services, sales of used and/or superfluous materials and other engineering services.	10%	The entire PRC
13 November 2018	Xiamen International Port Co., Ltd (3378)	Management services	Comprehensive property management services for the operation of the terminals and the management of office premises.	2% to 3%	Xiamen City
7 November 2018	Fineland Real Estate Services Group Limited (8376)	Sales services	Pre-sales marketing services, sales agency services, leasing agency services and integrated services.	Not specified in the relevant circular	Mainly in areas outside Guangzhou City of the Pearl River Delta

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Date of circular	Company name (Stock code)	Type of services	Scope of services	Fee	Location of the property projects
5 November 2018	Country Garden Services Holdings Company Limited (6098)	Sales services	Provision of (i) sales and leasing agency services in respect of parking spaces; and (ii) sales agency services in respect of property units which remain unsold after the mass sales period of the corresponding property development projects.	4.50%	The entire PRC
19 September 2018	A-Living Services Co., Ltd. (3319)	Sales services	Property agency services, including but not limited to, providing marketing and sales services for properties.	0.8% to 1%	The entire PRC
13 September 2018	Zhongchang International Holdings Group Limited (859)	Management services	The scope of the project management services includes (i) planning and development management; (ii) architectural design management; (iii) cost management; (iv) construction management; and (v) completion inspection and delivery administration.	Higher than 2%	Mainly in Guangdong-Hong Kong-Macao Bay Area and Yangtze River Delta Area
15 May 2018	A-Living Services Co., Ltd. (3319)	Management and sales services	Consultation services in relation to property management to the property projects at their preparation stage, design stage, assessment of construction design stage, construction stage and delivery stage. Property agency services, including but not limited to, providing marketing and sales services for properties.	RMB9 per sq.m. for management services, 1.2% to 1.4% for sales services	The entire PRC

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Date of circular	Company name (Stock code)	Type of services	Scope of services	Fee	Location of the property projects
10 May 2018	Meilleure Health International Industry Group Limited (2327)	Sales services	Property sales and consultancy services.	1% to 2.5%	Mainly in Jiangsu Province and Anhui Province
11 October 2017	C&D International Investment Group Limited (1908)	Management and sales services	Design, operation, sales and administration management.	Total fee of 8%	Nanping City
15 December 2016	KEE Holdings Company Limited (2011)	Sales services	Sales of the property projects including the related sales planning, organisation and promotion activities.	5.5% to 6.5%	Mainly in Beijing City, Jilin City, Zhejiang Province, Shandong Province and Hainan Province

Source: the Stock Exchange's website (www.hkex.com.hk)

As shown by the above table, in most of the Comparable Transactions, a fixed percentage of fee rates were charged for property projects in multiple locations in or even the entire PRC. Such observation may demonstrate that there is no direct correlation between the fee rates for services similar to the Services and the location of the relevant property projects within the PRC. Additionally, we notice from the above table that there are five Comparable Transactions involving the provision of services similar to the Management Services. Among those Comparable Transactions, the fee rates charged by the listed companies ranged from around 1.25% to 10%. As referred to in the relevant circulars published on the Stock Exchange's website, all such fee rates were considered to be fair and reasonable. On the other hand, as shown by the above table, there are seven Comparable Transactions involving the provision of services similar to the Sales Services. Among those Comparable Transactions, the fee rates charged by the listed companies ranged from around 0.8% to 6.5%. As also referred to in the relevant circulars published on the Stock Exchange's website, all such fee rates were considered to be fair and reasonable. After comparison, we notice that the Services Fees are within the market ranges of the Comparable Transactions and are rather normal in the market.

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Payment terms

The payment terms will be subject to the terms of the Individual Agreements, nonetheless:

- (i) the maximum percentage fee for the Management Services shall not exceed 5% which shall be payable semi-annually in arrears based on the total GFA under development. The determination date of the total GFA under development for each half year shall be 30 June and 31 December and the total GFA under development shall be notified by the Group to the Ever Diamond Group no later than ten Business Days after the determination date, and the Ever Diamond Group shall inform the Group of any objections to the total GFA under development for the respective half year in writing within five Business Days of the date of receipt of the notification. If no objections are received by the Group, the total GFA under development shall be deemed final and an invoice will be issued by the Group to the Ever Diamond Group, which should be paid within 30 days of the date of issuance of the invoice; and
- (ii) the maximum percentage fee for the Sales Services shall not exceed 2% which shall be payable semi-annually in arrears based on the total GFA sold. The determination date of the total GFA sold for each half year shall be 30 June and 31 December and the total GFA sold shall be notified by the Group to the Ever Diamond Group no later than ten Business Days after the determination date, and the Ever Diamond Group shall inform the Group of any objections to the total GFA sold for the respective half year in writing within five Business Days of the date of receipt of the notification. If no objections are received by the Group, the total GFA sold shall be deemed final and an invoice will be issued by the Group to the Ever Diamond Group, which should be paid within 30 days of the date of issuance of the invoice.

In view of that (i) under the pricing policy pursuant to the Management and Sales Services Framework Agreement, the determination of the Services Fees will be primarily based on the relevant rule, regulation and administration measures in the location where the projects are located, the absence of which will be based on the industry guidance price in the property development industry, and the Group and the Ever Diamond Group shall ensure that the Individual Agreements in relation to the Services shall be on normal commercial terms or better; (ii) based on the Industry Research, the Management Services Fee is at the high end of the normal market rate whereas the Sales Services Fee is equivalent to the normal market rate; (iii) as indicated by the result of our market comparables analysis presented in the foregoing paragraph, the Services Fees are within the market ranges of the Comparable Transactions and are rather normal in the market; and (iv) the aforesaid payment terms are practical and relatively easier to administer given that the Services Fees are primarily determined based on the total GFA under development/sold (as the case may be), we are of the opinion that the Services Fees as well as the payment terms are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM VBG CAPITAL

3. The Annual Caps

The table below demonstrates the Annual Caps for each of the three financial years ending 31 December 2019, 2020 and 2021:

	For the year ending 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Annual Caps	220,000	310,000	200,000

As advised by the Directors, each of the Annual Caps has been determined with reference to:

- (i) 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 GFA 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 sq.m. 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 i.e. the Industry Research; and
- (ii) 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 GFA to be sold, as determined by the Group and the Ever Diamond Group based on (i) the saleable GFA to be sold of the Ever Diamond Group during the Term; and (ii) the expected sales price per sq.m. of the saleable GFA 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, i.e. the Industry Research.

In respect of the basis of determining the Annual Caps as highlighted above, we have requested and obtained the full list of the ED Projects, with detailed information regarding their respective site areas and saleable GFA, expected sales prices, construction and development plans, and the expected timetable for completion and sales, from the Company. As aforementioned, a majority of the ED Projects are located in Zhengzhou City. In addition, from the information provided by the Company, we notice that all of the ED Projects, except for one which has already completed construction in 2019, are under-development with expected completion time mostly falls within 2020 and 2021, and only one in 2022. Given that the Management Services to be provided by the Group to the Ever Diamond Group shall be preliminary project management services which will largely be required at the planning stage and construction stage of the development, it is expected that a majority of the Management Services Fee will be incurred in 2019 and 2020, when the ED Projects are undergoing the planning stage and construction stage in accordance

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with their respective construction plans. On the contrary, the Sales Services to be provided by the Group to the Ever Diamond Group shall be sales management services, which will largely be required after the ED Projects have almost completed construction. With this being the case, it is expected that a majority of the Sales Services Fee will be incurred in 2020 and 2021, when the ED Projects are ready for sales in the market. On the other hand, in order to substantiate the reasonableness of the expected sales prices of the ED Projects, we have requested the Company to provide us with the recent sales contracts of the properties of the ED Projects; from which we notice that the expected sales prices are comparable to the recent market transaction prices.

As stated, (i) the Management Services Fee is calculated at a fixed percentage fee of 5% based on the total site areas under development of the ED Projects during the Term and the expected sales price per sq.m. of such site areas, with reference to their expected development progress during the Term; and (ii) the Sales Services Fee is calculated at a fixed percentage fee of 2% based on the total saleable GFA of the ED Projects during the Term and the expected sales price per sq.m. of such saleable GFA. In light of such basis of determination of the Annual Caps, we are of the view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Reliance on connected persons

As presented in the Letter from the Board, the Directors are of the view that the Group will not have heavy reliance on Ms. Huang and her associates and the business of the Company is sustainable due to primarily the following factors:

- (i) prior to the entering into of the Management and Sales Services Framework Agreement, there was no Management Service and Sale Service being provided by the Group to the Ever Diamond Group. In addition, the revenue of the Group amounted to approximately RMB601.5 million for the year ended 31 December 2018 without the income from the provision of Management Services and Sale Services to the Ever Diamond Group. The main reason for the entering into of the Management and Sales Services Framework Agreement would be to develop the Group into a flagship group in property development in the PRC, diversify the source of income of the Group and provide new driver to profits of the Group; and
- (ii) as shown in the section headed "Proportion of the transactions contemplated under the Management and Sales Services Framework Agreement to the Group" of the Letter from the Board, the respective proportion of the Annual Caps to the estimated revenue of the Group for each of the three years ending 31 December 2021 is in the range of approximately 1.8% to 3.0% only, and in the proportion of approximately 2.4% only if aggregated for such three years. Such proportions are not significant relative to the Group's estimated revenue for the three years ending 31 December 2021.

LETTER FROM VBG CAPITAL

Having considered the expected scale and the completion and delivery schedule of the on-going property projects of the Group as well as the satisfactory performance of the Group's existing property development business in the PRC which has enabled it to turn around the loss making position since the year ended 31 December 2017, we concur with the Directors that it is likely that the Group would not have heavy reliance on Ms. Huang and her associates and the business of the Company would be sustainable.

5. Relevant Listing Rules' requirements

As referred to in the Letter from the Board, the Group has formulated a series of internal control measures to supervise the Transactions.

Furthermore, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Annual Caps for the years concerned under the Management and Sales Services Framework Agreement; (ii) the terms of the Management and Sales Services Framework Agreement (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Management and Sales Services Framework Agreement (together with the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. Moreover, as stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the Transactions are carried out in accordance with the pricing policies of the Company, and the Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Annual Caps, or that there is any material amendment to the terms of the Management and Sales Services Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the internal control measures of the Group as well as the aforesaid stipulated requirements for continuing connected transactions of the Listing Rules in place, the Transactions will be monitored and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM VBG CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Management and Sales Services Framework Agreement and the Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Management and Sales Services Framework Agreement, the Transactions and the Annual Caps, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 14 years of experience in corporate finance industry.

* *for illustrative purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions

(i) *Interests in the Shares*

Name of Director	Capacity in which interests are held	Number of Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Zhang	Spousal interest (<i>Note 1</i>)	7,697,492,188	74.77
Ms. Huang	Interest of controlled corporation (<i>Note 2</i>)	7,697,492,188	74.77

Notes:

- (1) Mr. Zhang (Chairman, Chief Executive Officer and executive Director of the Company) is the spouse of Ms. Huang, under the SFO, he is deemed to be interested in 7,697,492,188 Shares in which Ms. Huang is interested.

- (2) 7,697,492,188 Shares are directly held by Joy Town Inc., which is ultimately owned by the Discretionary Trust. Joy Town Inc. is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Superior Glory Enterprises Limited, Notable Reward Pte Limited, Zensun Group Limited and Joy Town Inc. are holding companies of the Company, each of them is an associated corporation of the Company under the SFO.

(ii) *Interests in ordinary shares of associated corporations of the Company*

Name of Director	Name of associated corporation	Capacity in which the interests are held	Number of share held	Approximate percentage of the issued share capital (%)
Ms. Huang	Superior Glory Enterprises Limited	Interest of controlled corporation (Note 1)	1	100
Ms. Huang	Notable Reward Limited	Interest of controlled corporation (Note 1)	1	100
Ms. Huang	Zensun Group Limited	Interest of controlled corporation (Note 1)	1	100
Ms. Huang	Joy Town Inc.	Beneficial owner (Note 1)	1	100

Notes:

- (1) 7,697,492,188 shares are directly held by Joy Town Inc., which are ultimately owned by the Discretionary Trust. Joy Town Inc. is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Superior Glory Enterprises Limited, Notable Reward Pte Limited, Zensun Group Limited and Joy Town Inc. are holding companies of the Company, each of them is an associated corporation of the Company under the SFO.
- (2) Ms. Huang is the sole director of Joy Town Inc. and Notable Reward Limited and Mr. Zhang is the sole director of Zensun Group Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

Save as disclosed in the paragraph headed “Material Acquisitions after 31 December 2018”, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2018, 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 was proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts

Save as disclosed in the paragraph headed “Material Acquisitions after 31 December 2018”, as at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

(d) Interests in competing business

As at the Latest Practicable Date, none of the Directors and his/her close associates was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group’s businesses except that Mr. Zhang and Ms. Huang are individually and collectively deemed interested in Zensun Real Estate Co., Ltd* (河南正商置業有限公司), Henan Zensun Corporate Development Company Limited* (河南正商企業發展有限責任公司) and/or their subsidiaries and associated companies which are engaged in construction, property development and related businesses in the PRC.

As the Board is independent of the boards of directors of these companies, the Company has therefore been capable of carrying on its businesses independently of, and at arm’s length from, the above businesses.

(e) Directors' service contracts

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the interests in the Shares

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company (%)
Vistra Trust (Singapore) Pte Limited	Trustee (<i>Note</i>)	7,697,492,188	74.77
Superior Glory Enterprises Limited	Interest of controlled corporation (<i>Note</i>)	7,697,492,188	74.77
Notable Reward Limited	Interest of controlled corporation (<i>Note</i>)	7,697,492,188	74.77
Zensun Group Limited	Interest of controlled corporation (<i>Note</i>)	7,697,492,188	74.77
Joy Town Inc.	Beneficial owner (<i>Note</i>)	7,697,492,188	74.77

Note: These Shares are owned by Joy Town Inc., which are ultimately owned by the Discretionary Trust. Joy Town Inc. is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the Discretionary Trust. Ms. Huang is the sole director of Joy Town Inc. and Notable Reward Limited and Mr. Zhang is the sole director of Zensun Group Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL ACQUISITIONS AFTER 31 DECEMBER 2018

On 29 January 2019, the Group entered into a share transfer agreement with a company which is ultimately controlled by Ms. Huang to acquire a land parcel in Zhengzhou City, Henan Province, the PRC with site area of approximately 13,442.23 sq.m. for commercial usage by way of acquisition of the entire equity interest of the company holding the land parcel at a consideration of RMB50,000,000. The acquisition was completed in February 2019 and this development project is expected to be completed no later than the fourth quarter of 2021.

On 29 May 2019, the Group has made two successful bids for land use rights in Guancheng District, Zhengzhou City, Henan Province, the PRC for residential usage with underground for transportation service usage with (i) site area of approximately 28,608.73 sq.m. at a consideration of RMB288,190,000 and (ii) site area of approximately 45,604.51 sq.m. at a consideration of RMB459,080,000 respectively. These two development projects are expected to be completed no later than the fourth quarter of 2022.

Save as disclosed above, the Group did not enter into or complete any agreement for material acquisition in which Directors had any direct or indirect interest after 31 December 2018.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERT AND CONSENT

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

Name	Qualification
VBG Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

VBG Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, VBG Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up).

As at the Latest Practicable Date, VBG Capital did not have any shareholding in any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. GENERAL

- (a) The registered and principal office of the Company is situated at 24/F., Wyndham Place, 40–44 Wyndham Street, Central, Hong Kong.
- (b) The share registrar of the Company is Tricor Friendly Limited, which is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The joint secretaries of the Company are Mr. Kwok Pak Shing, who is a member of Hong Kong Institute of Certified Public Accountants and Mr. Yuen Ping Man, who is a fellow member of the Institute of Chartered Secretaries and Administrators (U.K.) and of the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (save for Saturdays and public holidays) at the principal place of business of the Company in Hong Kong, 24/F., Wyndham Place, 40–44 Wyndham Street, Central, Hong Kong from the date of this circular, up to and including the date of the EGM.

- (a) the Management and Sales Services Framework Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 19 to 20 of this circular;
- (c) the letter from VBG Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 39 of this circular; and
- (d) the letter of consent referred to under the section headed “Expert and Consent” in this appendix.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the **"Meeting"**) of Zensun Enterprises Limited (the **"Company"**) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Friday, 20 December 2019 at 10:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT

- (a) the Management and Sales Services Framework Agreement (as defined and described in the circular of the Company dated 3 December 2019 (the **"Circular"**), a copy of the Circular marked "A" together with a copy of the Management and Sales Services Framework Agreement marked "B" are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder as described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Annual Caps as defined and described in the Circular in respect of the Services to be provided by the Company and its subsidiaries under the transactions contemplated under the Management and Sales Services Framework Agreement for each of the financial years ending 31 December 2019, 2020 and 2021 be and are hereby approved; and

NOTICE OF EGM

- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Management and Sales Services Framework Agreement and the transactions contemplated thereunder and the Annual Caps and all matters incidental or ancillary thereto.”

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

Hong Kong, 3 December 2019

Registered and principal office:

24/F., Wyndham Place,
40–44 Wyndham Street,
Central, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member who is the holder of two or more shares (the “Shares”) in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointer or of his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the share registrar of the Company, Tricor Friendly Limited, which is situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (i.e. not later than Wednesday, 18 December 2019 on 10:00 a.m.) (or any adjournment thereof).
4. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Tuesday, 17 December 2019 to Friday, 20 December 2019 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Friendly Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on Monday, 16 December 2019.

NOTICE OF EGM

5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed or adjourned. The Company will post an announcement on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.zensunenterprises.com>) to notify shareholders of the Company of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.
7. All times and dates specified herein refer to Hong Kong local times and dates.
8. The meeting will be conducted in Chinese and no translation will be provided.

As at the date of this notice, the Board comprises two executive Directors, namely, Mr. Zhang Jingguo and Mr. Zhang Guoqiang; one non-executive Director, namely, Ms. Huang Yanping; and three independent non-executive Directors, namely, Dr. Liu Qiao, Mr. Liu Da and Mr. Ma Yuntao.