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ZENSUN ENTERPRISES LIMITED

正商實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agents



PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 8 May 2020 (after trading hours), the Company entered into the Placing Agreement with the Placing Agents pursuant to which the Placing Agents conditionally agreed to place as the Company's placing agents on a best effort basis the Placing Shares up to 1,235,363,993 new Shares to not less than six places at the Placing Price of HK\$0.33 per Placing Share.

The Placing Shares represent approximately 12.00% of the existing total number of issued Shares as at the date of this announcement, and approximately 10.71% of the total number of issued Shares as enlarged by the allotment and issue of the Placing Shares in full (assuming there is no change to the share capital of the Company between the date of the Placing Agreement and the date of completion of the Placing).

Assuming that the Placing Shares are issued in full under the Placing, the maximum gross proceeds from the Placing are estimated to be approximately HK\$407.7 million, and the maximum net proceeds, after deducting the placing fee, brokerage, professional fees and all related expenses which may be borne by the Company, from the Placing are estimated to be approximately HK\$401.1 million.

The net proceeds from the Placing of approximately HK\$401.1 million are intended to be used (i) as to 90% for Repayment of Loans; and (ii) as to 10% for general working capital. The net issue price per Placing Share upon completion of the Placing will be approximately HK\$0.32 per Placing Share.

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

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THE PLACING AGREEMENT

The principal terms and conditions of the Placing Agreement are as follows:

Date

8 May 2020 (after trading hours)

Parties

Issuer: The Company

Placing Agents: DL Securities (HK) Limited; and

Kingston Securities Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agents and each of their ultimate beneficial owners are Independent Third Parties.

Placing Fees

The Company will pay a placing commission of 1.5% of the amount equal to the Placing Price multiplied by the aggregate number of Placing Shares actually placed by the Placing Agents. The Placing commission was negotiated on an arm's length basis between the Company and the Placing Agents, and determined with reference to, amongst other things, the market rate and the price performance of the Shares.

Placees

Pursuant to the Placing Agreement, the Placing Agents will procure the Placing Shares to be placed to not less than six Placees, who/which will be professional, institutional or other investors selected and procured by or on behalf of the Placing Agents on a best effort basis.

The Placing Agents will, to the extent practicable and lawful, use its reasonable endeavours to ensure that the Placees (if applicable, together with their respective ultimate beneficial owners) will be third parties independent from, not connected or associated with, and not acting in concert with the Company and its connected person, and one another.

Number of Placing Shares

Up to 1,235,363,993 new Shares, representing (i) approximately 12.00% of the existing total number of issued Shares, and (ii) approximately 10.71% of the total number of issued Shares as enlarged by the allotment and issue of the Placing Shares in full (assuming there is no change to the share capital of the Company between the date of the Placing Agreement and the date of completion of the Placing).

Placing Price

The Placing Price of HK\$0.33 represents:

- (i) a discount of approximately 1.49% to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a premium of approximately 2.48% to the average closing price of HK\$0.322 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price and the recent trading volume of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agents.

The net issue price per Placing Share (after deduction of the Placing commission and other related expenses as described above) is approximately HK\$0.32, assuming that the Placing is completed in full.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects with the other existing Shares in issue on the date of allotment and issue of the Placing Shares including the right to receive all dividends and other distributions declared, made or payable at any time by reference to a record date falling on or after the date of allotment and issue.

Conditions of the Placing

Completion of the Placing is conditional upon the satisfaction or waiver (where permissible) of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently revoked);
- (b) except for the Placing, no issue of new Shares or other securities (including any options, warrants or convertible securities) by the Company having been proposed and/or completed during the period from the date of the Placing Agreement to the Closing Date unless with the Placing Agents' prior consent (such consent not to be unreasonably withheld or delayed);
- (c) no court or other governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restrains, enjoins or otherwise prohibits consummation of the Placing;
- (d) all necessary consents, approvals, authorisations and/or waivers having been obtained by the Company to effect the execution, completion and performance of the obligations and other terms of the Placing Agreement;
- (e) the representations, warranties and undertakings of the Company being true and correct in all material respects as of Closing Date as though made on and as of such date except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date; and
- (f) each of the Placing Agents and the Company shall have performed or complied in all material respects with all agreements and covenants required by the Placing Agreement to be performed or complied with by it on or prior to the Closing Date.

The conditions set out in paragraphs (a) to (d) cannot be waived by the Company or the Placing Agents. Each of the Company and the Placing Agents shall use their respective best endeavours to procure the satisfaction of the conditions set out above.

Completion of the Placing

Completion of the Placing shall take place on the fourth Business Day after satisfaction of all the conditions of the Placing or such other time or date as the Company and the Placing Agents shall agree in writing.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors by the then Shareholders at the annual general meeting of the Company held on 12 June 2019. Pursuant to the General Mandate, the total number of new Shares that the Directors are authorized to allot and issue is 1,235,363,993 new Shares (up to 20% of the total number of issued Shares as at the date of the annual general meeting held on 12 June 2019, i.e. 6,176,819,969). Up to the date of this announcement, no new Shares have been issued under the General Mandate and the Placing will utilize 100% of the General Mandate upon Placing of the Placing Shares in full. Accordingly, the issue of the Placing Shares will not be subject to the approval of the Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Termination of the Placing Agreement

During the period from the date of the Placing Agreement to completion of the Placing Agreement on the Closing Date:

- (a) if any of the conditions of the Placing shall not have been satisfied to the satisfaction of or waived by the Placing Agents and the Company by 28 May 2020, being the long stop date, the Placing Agreement and the respective obligations of the Placing Agents and the Company thereunder shall cease and terminate immediately at that time (without any further action of any party required);
- (b) the Placing Agreement may be terminated by the mutual agreement of the parties thereof; or
- (c) if there develops, occurs or comes into force any of the following during the period from the date of the Placing Agreement to 8:00 a.m. on the Closing Date:
 - (i) any new law or regulation or any change in existing laws or regulations which in the absolute opinion of any of the Placing Agents has or may be or is likely to have a material adverse effect on the financial position of the Company or any of its subsidiaries as a whole;
 - (ii) any event or circumstances in the nature of force majeure (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, acts of war and acts of God), in each case involving or affecting Hong Kong or any jurisdiction relevant to any member of the Group;

- (iii) a general moratorium on commercial banking activities declared by relevant authorities in Hong Kong or any jurisdiction relevant to any member of the Group or a material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in Hong Kong or any jurisdiction relevant to any member of the Group;
- (iv) any prohibition on the Company for whatever reason from offering, allotting or issuing any of the Placing Shares pursuant to the terms of the Placing Agreement;
- (v) any order or petition for the winding up of any member of the Group or any composition or arrangement being made by any member of the Group with its creditors or any scheme of arrangement being entered into by any member of the Group or any resolution for the winding up of any member of the Group being entered into by any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (vi) any material adverse change (whether or not permanent) in local, national or international financial, political, economic conditions, financial, banking, capital markets, currency exchange rates, credit default swap prices, secondary bond prices, exchange controls, or the occurrence of any event or series of events outside of the Placing Agents' or the Company's control;
- (vii) any material adverse change in or affecting any taxation, exchange controls, currency exchange rates or foreign exchange regulations or the implementation of any exchange control in Hong Kong or any jurisdiction relevant to any member of the Group; or
- (viii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or other similar reasons,

which, in the absolute opinion of any of the Placing Agents, (i) is likely to or does prejudice materially (A) the success of the offering and distribution of the Placing Shares or (B) dealings in the Placing Shares in the secondary market, or (ii) make it (A) impractical or (B) inadvisable, to market the Placing Shares, then and in any such case, the Placing Agents may terminate the Placing Agreement without liability to the Company by giving reasonable notice in writing to the Company, and the Company shall not be liable to pay any commission pursuant to the Placing Agreement.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in property development, property investment and management, project management and sales services and securities trading and investment.

As disclosed in the Company's annual report for the year ended 31 December 2019 ("**Annual Report**"), the Group's bank and other borrowings and cash and cash equivalents as at 31 December 2019 were approximately RMB20.2 billion and RMB3.2 billion, respectively. As at the date of this announcement, the bank and other borrowings which are due during the period ending 31 December 2020 amounted to approximately RMB5.2 billion.

In view of the current market condition, the Directors consider that the Placing represents an opportunity to raise additional capital for the Company to repay the bank and other borrowings which are due during the period ending 31 December 2020 ("**Repayment of Loans**") so as to improve the liquidity, borrowing power and gearing ratio of the Company, while at the same time broadening the Shareholder base. The Company had considered other fund raising alternatives available to the Group such as debt financing, rights issues and open offer. As debt financing will result in additional interest burden, the Company considers that it is prudent to finance the funding needs of the Group in the form of equity which will not increase the Group's finance costs. On the other hand, rights issue or open offer usually involve the issue of listing documents with other application and administrative procedures and are therefore carried out over a more extended period of time. Due to the recent market volatility, it may not be conducive for the Company to engage in rights issue or open offer which, given the relatively extended time period and documents required, are also less cost effective. Accordingly, the Company considers that the issue of Shares under general mandate is a more desirable solution for the Group to reduce the gearing ratio and enlarge the capital base for business development.

Assuming that the Placing Shares are issued in full under the Placing, the maximum gross proceeds from the Placing are estimated to be approximately HK\$407.7 million (equivalent to approximately RMB372.6 million), and the maximum net proceeds, after deducting the placing fee, brokerage, professional fees and all related expenses which may be borne by the Company, from the Placing are estimated to be approximately HK\$401.1 million (equivalent to approximately RMB366.6 million). It is intended that the net proceeds from the Placing will be used by the Company (i) as to 90% for Repayment of Loans; and (ii) as to 10% for general working capital. The net issue price per Placing Share upon completion of the Placing will be approximately HK\$0.32 per Placing Share.

Having considered above, the Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement and the transactions contemplated thereunder (including the Placing, the Placing Price and the Placing commission payable to the Placing Agents), are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
2 May 2019 and 15 August 2019	Issue of 4,117,879,979 Shares at the subscription price of HK\$0.38 per subscription Share on 15 August 2019 pursuant to the subscription agreement dated 2 May 2019	Approximately HK\$1,562.9 million	<p>(i) approximately HK\$625.1 million for the construction payment for two of our ongoing property projects namely, Zensun River Home (Phase II) (正商家河家二期) and Zensun Fenghuashangjing (正商豐華上境);</p> <p>(ii) approximately HK\$625.1 million for the repayment of bank loans due during the period ending 31 December 2019;</p> <p>(iii) approximately HK\$156.4 million for the acquisition of land use rights through listing for sale process at public auctions to be held by relevant government bureau in the PRC;</p> <p>(iv) approximately HK\$156.3 million for the general working capital, which will be utilised as to (a) approximately HK\$60.3 million for administrative expenses; (b) approximately HK\$76.0 million for sales and marketing expenses; and (c) approximately HK\$20.0 million for preliminary project planning costs for the Group.</p>	The entire net proceeds had been used as intended

Save as disclosed above, the Directors confirm that the Company has not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after completion of the Placing, assuming that all of the Placing Shares are placed in full and no further Shares have been issued or repurchased before completion of the Placing:

	As at the date of this announcement		Immediately after completion of the Placing (assuming that all of the Placing Shares are placed in full)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Joy Town Inc. (<i>Note</i>)	7,697,492,188	74.77%	7,697,492,188	66.76%
Public Shareholders				
Placees	–	–	1,235,363,993	10.71%
Other public Shareholders	<u>2,597,207,760</u>	<u>25.23%</u>	<u>2,597,207,760</u>	<u>22.53%</u>
Total	<u>10,294,699,948</u>	<u>100.00%</u>	<u>11,530,063,941</u>	<u>100.00%</u>

Note: These Shares are directly owned by Joy Town Inc., which are ultimately owned by a discretionary trust established by Ms. Huang Yanping as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee and Ms. Huang Yanping and Ms. Zhang Huiqi as beneficiaries under 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. Ms. Huang Yanping is the sole director of Joy Town Inc. and Notable Reward Limited and Mr. Zhang Jingguo is the sole director of Zensun Group Limited.

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

DEFINITIONS

In this announcement, the following terms have the meanings set out below unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (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 banks are open for business in Hong Kong
“Closing Date”	the fourth Business Day following satisfaction of all the conditions or such other time or date as the Company and the Placing Agents shall agree in writing on which completion of the Placing shall take place
“Company”	Zensun Enterprises 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 in the Listing Rules
“Director(s)”	the director(s) of the Company
“DL Securities”	DL Securities (HK) Limited, a licensed corporation to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“General Mandate”	the general mandate granted to the Directors by the then Shareholders by ordinary resolution passed at the annual general meeting of the Company held on 12 June 2019 to allot, issue and deal with new Shares up to a maximum of 20% of the total number of the issued Shares as at that date, i.e. up to 1,235,363,993 new Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company or Directors, chief executive, or substantial Shareholders of the Company or any of its subsidiaries or their respective associates
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out business in Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor selected and procured by or on behalf of the Placing Agents to subscribe any of the Placing Shares on the terms and subject to the conditions set out in the Placing Agreement
“Placing”	the placing, on a best effort basis, of a total of up to 1,235,363,993 new Shares to be allotted and issued pursuant to the terms of the Placing Agreement
“Placing Agents”	collectively DL Securities and Kingston Securities, and each a “Placing Agent”
“Placing Agreement”	the conditional placing agreement dated 8 May 2020 entered into between the Company and the Placing Agents in relation to the Placing
“Placing Price”	HK\$0.33 per Placing Share
“Placing Share(s)”	up to 1,235,363,993 new Shares to be placed under the Placing
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the issued share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“substantial shareholders”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

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

Hong Kong, 8 May 2020

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

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of HK\$1.00 equal to RMB0.914. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.