

**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 正商實業有限公司 (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**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 185)**

**CONTINUING CONNECTED TRANSACTION  
2021 MASTER SERVICES AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the board of directors of Zensun Enterprises Limited (the “Company”) is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee (as defined herein) is set out on page 17 of this circular. A letter from VBG Capital, the Independent Financial Adviser (as defined herein) to the Independent Board Committee and the Independent Shareholders (as defined herein) of the Company, is set out on pages 18 to 30 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 Tuesday, 8 December 2020 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](http://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 and deposit the same at the share registrar 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 Sunday, 6 December 2020 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, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

In compliance with the Hong Kong Government’s directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of COVID-19 (as defined herein), the Company will implement additional precautionary measures at the EGM including, without limitation:

- compulsory body temperature screening;
- wearing of surgical face masks; and
- no distribution of corporate gift or refreshment.

The Company strongly advises Shareholders (as defined herein) to appoint the chairman of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person. Shareholders are advised to read page (i) of this circular for further details and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

All times and dates specified herein refer to Hong Kong local times and dates.

18 November 2020

## PRECAUTIONARY MEASURES FOR THE EGM

In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health ("CHP") on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement precautionary measures at the EGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the EGM which include without limitation:

- (1) Every attendee will be required to wear a surgical face mask throughout the EGM and inside the EGM venue. Attendees are advised to maintain appropriate social distance with each other at all times when attending the EGM.
- (2) There will be compulsory body temperature screening for all persons before entering the EGM venue. Any person with a body temperature of 37.3 degrees Celsius or above or any person which exhibits any flu-like symptoms may be denied entry to the EGM venue or be required to promptly leave the EGM venue.
- (3) No refreshment will be served, and there will be no corporate gift.
- (4) Anyone attending the EGM is reminded to observe good personal hygiene at all times.
- (5) In light of the continuing risks posed by the COVID-19 pandemic, and in the interests of protecting the Shareholders, the Company is supportive of the precautionary measures being adopted and reminds Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. The Company strongly advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person.
- (6) Shareholders are advised to monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.
- (7) Health education materials and up-to-date development on COVID-19 can be found on the CHP website ([www.chp.gov.hk](http://www.chp.gov.hk)) and the website of the Hong Kong Government on COVID-19 ([www.coronavirus.gov.hk](http://www.coronavirus.gov.hk)).

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## DEFINITIONS

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

“2016-2018 Annual Caps”	the maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group under the Master Services Agreement for each of the financial years ended 31 December 2016, 2017 and 2018 as detailed in the announcement of the Company dated 22 December 2015 and the circular of the Company dated 22 January 2016
“2017 Supplemental Agreement”	the supplemental agreement dated 21 February 2017 entered into between the Company and Zensun Development to amend certain terms of the Master Services Agreement
“2018 Supplemental Agreement”	the supplemental agreement dated 11 October 2018 entered into between the Company and Zensun Development to amend certain terms of the Renewed 2017 Master Services Agreement
“2021 Master Services Agreement”	the master services agreement dated 21 October 2020 entered into between the Company and Zensun Development
“2021-2023 Annual Caps”	the maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group under the 2021 Master Services Agreement for each of the financial years ending 31 December 2021, 2022 and 2023, being RMB3,212,000,000, RMB2,555,000,000 and RMB1,778,000,000, respectively
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Assessment Committee”	the assessment committee formed by the Company for the purpose of reviewing the tenders and quotations of the Contracting Services
“associate(s)”	has the meaning ascribed to it under the Listing Rule
“Board”	the board of Directors
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“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 under the Listing Rule
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rule
“Contracting Services”	the provision of construction, engineering and related services by the Zensun Development Group to the Group, details of which are set out under sub-paragraph headed “Services to be provided” under the paragraph headed “2021 Master Services Agreement” in the letter from the Board as set out on pages 6 to 16 of this circular
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rule
“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
“Effective Date”	the date on which all condition precedent set out in the 2021 Master Services Agreement, which are set out in the sub-paragraph headed “Condition Precedent” under the paragraph headed “2021 Master Services Agreement” in the letter from the Board as set out on pages 6 to 16 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 Tuesday, 8 December 2020 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

## DEFINITIONS

“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 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 2021 Master Services Agreement, the Transactions contemplated thereunder and the 2021-2023 Annual Caps
“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 to advise the Independent Board Committee and the Independent Shareholders in relation to the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“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
“Individual Agreement(s)”	individual agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the Zensun Development Group from time to time in relation to provision of the Contracting Services at any time during the Term and pursuant to the 2021 Master Services Agreement
“Latest Practicable Date”	12 November 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Master Services Agreement”	the agreement entered into between the Company and Zensun Development on 22 December 2015 in relation to the provision of the Contracting Services and ancillary services by the Zensun Development Group to the Group
“Mr. Zhang”	Mr. Zhang Jingguo, an executive Director, the chairman, the chief executive officer and a controlling shareholder of the Company
“Ms. Huang”	Ms. Huang Yanping, the spouse of Mr. Zhang, the non-executive Director and a controlling shareholder of the Company
“Ms. Zhang”	Ms. Zhang Huiqi, the daughter of Mr. Zhang and Ms. Huang and a connected person of the Company
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Renewed 2017 Master Services Agreement”	the Master Services Agreement as amended by the 2017 Supplemental Agreement
“Renewed 2018 Master Services Agreement”	the Renewed 2017 Master Services Agreement as amended by the 2018 Supplemental Agreement
“Revised 2017-2019 Annual Caps”	the revised maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group under the Renewed 2017 Master Services Agreement for each of the financial years ended 31 December 2017, 2018 and 2019 as detailed in the announcements of the Company dated 21 February 2017 and 21 March 2017 and the circular of the Company dated 26 April 2017
“Revised 2018-2020 Annual Caps”	the revised maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group under the Renewed 2018 Master Services Agreement for each of the financial years ending 31 December 2018, 2019 and 2020, as detailed in the announcement of the Company dated 11 October 2018 and the circular of the Company dated 22 November 2018
“RMB”	Renminbi, the lawful currency of the PRC

## DEFINITIONS

“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 the Listing Rules
“Term”	has the meaning set out in the sub-paragraph headed “Term” under the paragraph headed “2021 Master Services Agreement” in the letter from the Board as set out on pages 6 to 16 of this circular
“Transactions”	the transactions contemplated under the 2021 Master Services Agreement
“Xiangcheng Investment”	Beijing Xiangcheng Investment Co., Ltd.* (北京祥誠投資有限公司), a company established in the PRC with limited liability on 26 July 2010
“Zensun Development”	Henan Zensun Corporate Development Group Limited* (河南正商企業發展集團有限責任公司), (formerly known as Henan Zensun Corporate Development Company Limited* (河南正商企業發展有限責任公司), a company established under the laws of the PRC and a connected person of the Company
“Zensun Development Group”	Zensun Development and its subsidiaries
“%”	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.





**ZENSUN ENTERPRISES LIMITED**

**正商實業有限公司**

*(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 Directors:*

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

18 November 2020

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
2021 MASTER SERVICES AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 21 October 2020 in relation to, among other things, the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps.

The purpose of this circular is to provide you with, among other things, (i) further information about the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps; (ii) the letter of advice from VBG Capital, being the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps; (iii) the letter of recommendation from the Independent Board Committee in relation to the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps; and (iv) the EGM Notice.

## LETTER FROM THE BOARD

### **Background**

References are made to (i) the Company's announcement dated 22 December 2015 and its circular dated 22 January 2016 in relation to the Master Services Agreement and the 2016-2018 Annual Caps; (ii) the Company's announcements dated 21 February 2017 and 21 March 2017 and its circular dated 26 April 2017 in relation to the 2017 Supplemental Agreement to the Master Services Agreement and the Revised 2017-2019 Annual Caps; (iii) the Company's announcement dated 11 October 2018 and its circular dated 22 November 2018 in relation to the 2018 Supplemental Agreement to the Master Services Agreement and the Revised 2018-2020 Annual Caps; and (iv) the Company's announcement dated 21 October 2020 in relation to the 2021 Master Services Agreement and the 2021-2023 Annual Caps.

As (i) the Renewed 2018 Master Services Agreement will be terminated on 31 December 2020 and (ii) to cope with the need for the Contracting Services required in developing the Group's property projects stemming from the rapidly increasing land reserves over the past years, accordingly, on 21 October 2020, the Company and Zensun Development entered into the 2021 Master Services Agreement pursuant to which the Group has conditionally engaged the Zensun Development Group as its service provider to continue to provide the Contracting Services to the Group. The principal terms of the 2021 Master Services Agreement are set out below.

### **THE 2021 MASTER SERVICES AGREEMENT**

#### **Date**

21 October 2020

#### **Parties**

- (1) The Company; and
- (2) Zensun Development as service provider

#### **Subject Matter**

Under the 2021 Master Services Agreement, the Group shall conditionally appoint the Zensun Development Group as its service provider to provide the Contracting Services to the Group during the Term. Relevant members of the Group may from time to time enter into Individual Agreement(s) with relevant members of the Zensun Development Group in relation to the provision of the Contracting Services during the Term. The Individual Agreements shall be on the basis of the service plans prepared by the Group and confirmed by the Group and Zensun Development Group and the terms of the Individual Agreement(s) shall be subject to the terms and conditions of the 2021 Master Services Agreement. All transactions under the existing agreements between the relevant members of the Group and the relevant members of the Zensun Development Group in respect of the Contracting Services to be rendered after 1 January 2021 will be governed by the 2021 Master Services Agreement as from the Effective Date and subject to the 2021-2023 Annual Caps.

## LETTER FROM THE BOARD

### Services to be provided

Pursuant to the 2021 Master Services Agreement, the Zensun Development Group shall provide Contracting Services to the Group which shall be construction, engineering and related services, including but not limited to, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance, consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction and project management, supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installations of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems.

### Condition Precedent

The 2021 Master Services Agreement is conditional on the approval by the Independent Shareholders of the 2021 Master Services Agreement, the Transactions contemplated thereunder and the 2021-2023 Annual Caps at the EGM.

### Term

The 2021 Master Services Agreement shall commence on 1 January 2021, and shall continue up to and including 31 December 2023, unless terminated earlier in accordance with the 2021 Master Services Agreement.

### The Annual Caps

The Company expects that the 2021-2023 Annual Caps in respect of the Contracting Services to be provided by Zensun Development to the Group under 2021 Master Services Agreement for each of the three financial years ending 31 December 2023 will be as follows:

	For the financial years ending 31 December		
	2021	2022	2023
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
2021-2023 Annual Caps of the Transactions under the 2021 Master Services Agreement	3,212	2,555	1,778

The 2021-2023 Annual Caps were determined with reference to:

- (i) the historical transaction amounts as disclosed in the sub-paragraph headed "Historical transaction amounts" below;
- (ii) the forecasted amounts of the Transactions for each of the financial years ending 31 December 2021, 2022 and 2023 in relation to land parcels under development with an aggregate site area of approximately 1.14 million sq.m. held by the Group that have completed their tender or quotation process and have been awarded to the Zensun Development Group;

## LETTER FROM THE BOARD

- (iii) the forecasted amounts of the Transactions for each of the financial years ending 31 December 2021, 2022 and 2023 in relation to land parcels under development and planning with an aggregate site area of approximately 1.95 million sq.m. held by the Group that are subject to the future tender or quotation process; and
- (iv) an additional 10% buffer on the forecasted amounts of the Transactions as possible variance of the costs arising from inflation in respect of the Contracting Services for development of the land parcels which are held by the Group under development and which are under planning and subject to the tender or quotation process.

### **Historical transaction amounts**

The actual transaction amounts paid and payable by the Group to the Zensun Development Group for the provision of the Contracting Services pursuant to the Renewed 2018 Master Services Agreement for the financial years ended 31 December 2018 and 31 December 2019 and for the six months ended 30 June 2020 were approximately RMB1,050.6 million, approximately RMB2,052.5 million and approximately RMB987.4 million, respectively.

As at the Latest Practicable Date, the Directors confirm that the actual transaction amounts paid and payable by the Group to the Zensun Development Group pursuant to the Renewed 2018 Master Services Agreement were within and has not exceeded the Revised 2018-2020 Annual Caps.

### **Pricing Policy**

As at the Latest Practicable Date, the mandatory tender requirement as required under the Administration Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures\* (房屋建築和市政基礎設施工程施工招標投標管理辦法) was no longer applicable to the Group's property projects. Nonetheless, as a matter of good corporate governance, the Group adopted internal control measures in its procurement process of Contracting Services and continued to issue tender invitations for Contracting Services with contract sum of RMB2 million or above before entering into Individual Agreements.

For contracts in relation to procurement of Contracting Services with contract sum of RMB2 million or above, the Group shall issue tender invitations to at least three construction contractors on the list of authorised contractors (including Independent Third Parties and the Zensun Development Group) maintained by the Group with the required qualifications and capability to undertake construction projects as well as good reputation and credibility.

## LETTER FROM THE BOARD

For contracts in relation to procurement of Contracting Services with contract sum of less than RMB2 million, the Group shall obtain quotations from at least three organisations with the required qualifications and capability as well as good reputation and credibility.

The Assessment Committee will assess the tenders or quotations submitted in respect of the Contracting Services with the following principal criteria:

- (i) the pricing of the tender or quotation (in particular, in respect of a quotation or tender submitted by Zensun Development Group, the service fees and terms shall be no less favourable to the Group than the fees to be quoted by and terms available from Independent Third Parties);
- (ii) the technical specifications of the tender including construction planning, technical skills, quality and construction schedule; and
- (iii) the evaluation of the service provider considering the background and qualification, industry reputation, track record and previous work experience with the Group (if any).

In the event that the Company fails to receive enough bids or quotations at its satisfaction, the Company may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek revised quotations.

The service provider assessed with the highest score based on the above assessment criteria will be awarded the Individual Agreement for the Contracting Services. If a member of Zensun Development Group is considered by the Assessment Committee to have achieved the highest score based on the assessment criteria, an Individual Agreement will be entered into, where the fees for the Contracting Services will be the pricing bid or quotation placed by the member of Zensun Development Group.

### **Payment Terms**

Payment shall be made based on project progress with reference to the completion schedule of the service plans under the Individual Agreements for the Contracting Services.

## LETTER FROM THE BOARD

### PROPORTION OF THE TRANSACTIONS CONTEMPLATED UNDER THE 2021 MASTER SERVICES AGREEMENT TO THE TOTAL CONSTRUCTION COSTS OF THE GROUP

The following table sets out the proportion of the 2021-2023 Annual Caps to the actual total construction costs of the Group for the financial year ended 31 December 2019 and the forecasted total construction costs for the four financial years ending 31 December 2023:

	For the financial year ended 31 December 2019	For the financial years ending 31 December			
	(actual)	2020 (forecasted)	2021 (forecasted)	2022 (forecasted)	2023 (forecasted)
Annual caps under the 2021 Master Services Agreement (RMB' million)	N/A	N/A	3,212	2,555	1,778
Actual/forecasted total construction costs (Note) (RMB' million)	9,766	9,619	13,797	14,766	15,147
Proportion of the annual cap to the actual total construction costs for the year ended 31 December 2019	N/A	N/A	32.9%	26.2%	18.2%
Proportion of the annual cap to the forecasted total construction costs for the same year	N/A	N/A	23.3%	17.3%	11.7%

*Note:* The forecasted total construction costs estimated for the four financial years ending 31 December 2023 is based on (i) construction costs set out in the contracts entered into between the Group and its suppliers/contractors following the agreed development schedule and progress; (ii) historical average construction costs multiplied by the estimated saleable gross floor area for land parcels held by the Group under development and planning and (iii) historical average construction costs multiplied by the estimated saleable gross floor area for land parcels expected to be acquired by the Group for future development after the third quarter of 2020 and during the three financial years ending 31 December 2023.

### INTERNAL CONTROL MEASURES

The Company has adopted the following measures and mechanisms to govern and monitor the Transactions contemplated under the 2021 Master Services Agreement:

1. The Assessment Committee shall be responsible for reviewing the terms and conditions of each tender and quotation submitted for Contracting Services based on the principal criteria and to ensure that they comply with the requirements of the business operation of the Group. The members of the Assessment Committee shall (a) be nominated by a Board committee consisting of Mr. Zhang and Mr. Zhang Guoqiang, each an executive Director, and also Mr. Liu Da, the chairman of the audit committee of the Company and an independent non-executive Director, and (b) shall include the heads of the Group's tendering and procurement department, the general managers of the Group's regional companies and the project managers of the Group's property development projects.

## LETTER FROM THE BOARD

2. The Company shall maintain a list of authorised contractors with qualifications, skills, knowledge and experience comparable to the Zensun Development Group as well as good reputation and credibility for issuing tender or quotation invitations for Contracting Services.
3. When the Zensun Development Group has been selected as the service provider after assessment by the Assessment Committee for provision of the Contracting Services, the tendering and procurement department of the Group would prepare the draft Individual Agreements based on the terms of the 2021 Master Services Agreement and the fees under the Individual Agreements shall be based on the pricing policies for the Contracting Services.
4. 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 2021 Master Services Agreement and the fees of such Individual Agreements, together with executed Individual Agreements would not exceed the 2021-2023 Annual Caps.
5. The draft Individual Agreements shall then be approved by the executive Director responsible for overseeing connected transactions of the Company.
6. The finance department will conduct regular monitoring on the actual transaction amount of the Group under the 2021 Master Services Agreement.
7. The transactions contemplated under the 2021 Master Services Agreement shall be subject to the annual review by the independent non-executive Directors pursuant to Rules 14A.55 to 14A.59 of the Listing Rules.
8. 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.

### **REASONS FOR AND BENEFITS OF THE 2021 MASTER SERVICES AGREEMENT AND THE 2021-2023 ANNUAL CAPS**

Since the second quarter of 2017, the Group has adopted a concrete expansion strategy in property development business in the PRC. Over the past years, the Group made a continuing effort to expand its land reserves through listing-for-sale process in public auctions and acquisitions of companies owning property projects. During the years from 2017 and up to the third quarter of 2020, the Group successfully completed acquisitions of land use rights of 132 land parcels. In particular, land use rights of 52 land parcels were acquired in the first three quarters of 2020, bringing an aggregated site area of approximately 2.21 million sq.m. and an aggregated estimated saleable gross floor area of approximately 4.78 million sq.m. to our land reserves in the PRC.



## LETTER FROM THE BOARD

As at 30 September 2020, the Group had ten completed property projects and/or sub-phases and 54 on-going complex property projects and/or sub-phases under development and planning. The 54 on-going complex property projects and/or sub-phases erecting on 125 land parcels with an aggregated site area of approximately 5.50 million sq.m., an aggregated estimated gross floor area of approximately 14.41 million sq.m. and an aggregated estimated saleable gross floor area of approximately 11.07 million sq.m. are currently under development and planning in the PRC. The land reserves under development and planning held by the Group have been substantially increased in terms of aggregated estimated saleable gross floor area by 60.4% from approximately 6.90 million sq.m. as at 31 December 2019 to approximately 11.07 million sq.m. as at 30 September 2020. The continual successful land acquisitions complement the Group's strategy in expanding its business operations in Henan Province, the PRC and the Board will continue to identify new property development projects and bid for land use rights of other selective land parcels in the PRC with a focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

Zensun Development Group possesses various required certifications, qualifications and registrations with abundant experience in carrying out the Contracting Services in the PRC, which includes Special-grade qualification for construction main contractor\* (建築工程施工總承包特級資質), which is the highest construction qualification in the scope of construction main contractor recognised by the relevant government bureaus and enables the Zensun Development Group to take up large-scale non-municipal engineering construction projects without restrictions and to accommodate the development plan of the Group's property projects. Accordingly, the Board considers the Zensun Development Group as a competent candidate to tender or quote for the Contracting Services required for development of the Group's property projects.

Having considered the forecasted Transaction amounts for developing the Group's 54 ongoing property projects and/or sub-phases, the Group proposes to enter into the 2021 Master Services Agreement and the 2021-2023 Annual Caps which the Directors believe will enable the Group to cope with the strong need for the Contracting Services required in developing the Group's property projects stemming from the rapidly increasing land reserves over the past years.

Mr. Zhang, an executive Director and Ms. Huang, the non-executive Director and the controlling shareholder of the Company, are considered to have material interests in the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps by virtue of Ms. Zhang's interests in Zensun Development as Ms. Zhang is the daughter of Mr. Zhang and Ms. Huang. As a result, Mr. Zhang and Ms. Huang have abstained from voting on the Board resolutions of the Company in relation to the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps.

The Directors (excluding the independent non-executive Directors constituting the Independent Board Committee who will only provide their view after considering the advice of the Independent Financial Adviser, and Mr. Zhang and Ms. Huang who have abstained themselves in this regard) consider that the methods and procedures as set out in the sub-paragraph headed "Pricing Policy" under the paragraph headed "2021 Master Services agreement" in selecting the service provider and pricing the Individual



## LETTER FROM THE BOARD

Agreements for the provision of Contracting Services will ensure that the pricing will be on normal commercial terms or better, while at the same time maintaining the quality of the Contracting Services to be provided, and therefore are of the view that (i) the terms of the 2021 Master Services Agreement and the Transactions are on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the 2021-2023 Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION OF THE GROUP AND THE ZENSUN DEVELOPMENT GROUP

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

So far as known to the Directors, the principal business of the Zensun Development Group includes Contracting Services and investment holdings in the PRC.

### LISTING RULES IMPLICATIONS

Zensun Development is owned as to 90%, 9% and 1% by Xiangcheng Investment, Ms. Zhang and Mr. Zhang, respectively, and Xiangcheng Investment is owned as to 98% by Ms. Zhang, therefore, Zensun Development is a majority-controlled company indirectly held by Ms. Zhang. As Ms. Zhang is the daughter of Mr. Zhang and Ms. Huang, an executive Director and the non-executive Director, respectively of the Company, Zensun Development is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the 2021-2023 Annual Caps are higher than 5% and the 2021-2023 Annual Caps exceed HK\$10,000,000, the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps are subject to compliance with the announcement, circular 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.

As (i) Zensun Development is owned as to 90%, 9% and 1% by Xiangcheng Investment, Ms. Zhang and Mr. Zhang, respectively, and Xiangcheng Investment is owned as to 98% by Ms. Zhang; (ii) Ms. Zhang is the daughter of Mr. Zhang and Ms. Huang, an executive Director and the non-executive Director; and (iii) Joy Town Inc. is ultimately owned by the Discretionary Trust established by Ms. Huang as settlor and protector, therefore, Joy Town Inc., the controlling shareholder of the Company holding 7,697,492,188 Shares, representing approximately 66.76% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting on the resolution of the Company to approve the 2021 Master Services Agreement, the

## LETTER FROM THE BOARD

Transactions and the 2021-2023 Annual Caps at the EGM. Save as aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps and is required to abstain from voting on the resolution of the Company in approving the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps.

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 and deposit the same at the share registrar 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 Sunday, 6 December 2020 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 2021 Master Services Agreement, the Transactions contemplated thereunder and the 2021-2023 Annual Caps, and to advise the Independent Shareholders as to whether the 2021 Master Services Agreement, the Transactions and the 2021-2023 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 Thursday, 3 December 2020 to Tuesday, 8 December 2020, 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 share registrar of the Company, Tricor Friendly Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than Wednesday, 2 December 2020 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 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps are (i) on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable; 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 2021 Master Services Agreement, the Transactions contemplated thereunder and the 2021-2023 Annual Caps.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 17 of this circular which contains its recommendation to the Independent Shareholders in relation to the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps after taking into account the advice from VBG Capital, and the letter from VBG Capital as set out on pages 18 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the 2021 Master Services Agreement, the Transactions and the 2021-2023 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**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 185)**

18 November 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
2021 MASTER SERVICES AGREEMENT**

We refer to the circular of the Company dated 18 November 2020 (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 2021 Master Services Agreement, the Transactions and the 2021-2023 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 2021 Master Services Agreement, the Transactions and the advice given by VBG Capital, we are of the opinion that the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps are (i) on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2021 Master Services Agreement, the Transactions and the 2021-2023 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 2021 Master Services Agreement, the Transactions and the 2021-2023 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

18 November 2020

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

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS 2021 MASTER SERVICES AGREEMENT

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 18 November 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised 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.

References are made to (i) the Company’s announcement dated 22 December 2015 and its circular dated 22 January 2016 in relation to the Master Services Agreement; (ii) the Company’s announcements dated 21 February 2017 and 21 March 2017 and its circular dated 26 April 2017 in relation to the 2017 Supplemental Agreement; and (iii) the Company’s announcement dated 11 October 2018 and its circular dated 22 November 2018 in relation to the 2018 Supplemental Agreement. As the Renewed 2018 Master Services Agreement will be terminated on 31 December 2020, and to cope with the need for the Contracting Services required in developing the Group’s property projects stemming from the rapidly increasing land reserves of the Group over the past years, on 21 October 2020, the Company and Zensun Development entered into the 2021 Master Services Agreement pursuant to which the Group has conditionally engaged Zensun Development Group as its service provider to continue to provide Contracting Services to the Group up to and including 31 December 2023. In addition, based on the Company’s current estimation, it is proposed that the 2021-2023 Annual Caps be set at RMB3,212 million, RMB2,555 million and RMB1,778 million for each of the three years ending 31 December 2021, 2022 and 2023, respectively.

## LETTER FROM VBG CAPITAL

According to the Letter from the Board, the Transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps are therefore subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

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 2021 Master Services Agreement (including the 2021-2023 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 conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the 2021 Master Services Agreement, the Transactions and the 2021-2023 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 2018 Supplemental Agreement 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; (iii) a continuing connected transaction of which a circular dated 3 December 2019 was issued; and (iv) a major and connected acquisition of which a circular dated 25 May 2020 was issued, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps.

### BASIS OF OUR OPINION

In formulating our opinion with regard to the 2021 Master Services Agreement, the Transactions and the 2021-2023 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 announcements of the Company regarding the Transactions and the Circular). 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

## LETTER FROM VBG CAPITAL

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.

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, Zensun Development Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the 2021 Master Services Agreement, the Transactions and the 2021-2023 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 independent investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the 2021-2023 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 2023, and they do not represent forecasts of revenues or costs to be recorded from the 2021 Master Services Agreement. Consequently, we express no opinion as to how closely the actual revenue or cost to be recorded under the 2021 Master Services Agreement will correspond with the proposed 2021-2023 Annual Caps.



# LETTER FROM VBG CAPITAL

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2021 Master Services Agreement, the Transactions and the 2021-2023 Annual Caps, we have taken into consideration the following principal factors and reasons:

### 1. Background of and reasons for the 2021 Master Services Agreement

#### Information on the Group

The Group is principally engaged in property development, property investment, project management and sales services 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 2020 and 2019, and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report") and its annual report for the year ended 31 December 2019 (the "2019 Annual Report"), respectively:

	For the six months ended 30 June 2020 (unaudited) RMB'000	For the six months ended 30 June 2019 (unaudited) RMB'000	For the year ended 31 December 2019 (audited) RMB'000	For the year ended 31 December 2018 (audited) RMB'000
Revenue	2,237,563	327,890	8,887,186	601,470
Profit for the period/year	109,086	37,487	1,151,458	28,492

As depicted by the above table, the Group achieved astonishing financial results in 2019, with total revenue and net profit increasing by approximately 1,377.6% and 3,941.3% respectively as compared to the prior year. With reference to the 2019 Annual Report, in 2019, the Group's property development business in the PRC contributed revenue of approximately RMB8,796.0 million (2018: approximately RMB521.8 million) and segment profit of approximately RMB1,907.3 million (2018: approximately RMB8.4 million) to the Group. Such substantial increase in segment revenue and segment profit was attributable to the delivery of several newly completed property projects of the Group in 2019. As also depicted by the above table, the Group's financial performance has continued the robust growing momentum during the six months ended 30 June 2020 notwithstanding the outbreak of the COVID-19 epidemic, with total revenue and net profit increasing by approximately 582.4% and 191.0% respectively as compared to the corresponding period in 2019. With reference to the 2020 Interim Report, the said substantial increase in revenue and net profit was arising from the delivery of the Group's newly completed property projects in the second quarter of 2020 and the new revenue stream from providing project management and sales services in the PRC.



## LETTER FROM VBG CAPITAL

As advised by the Directors, since the second quarter of 2017, the Group has adopted a concrete expansion strategy in property development business in the PRC. Over the past years, the Group persisted continuing effort to expand its land reserves through listing-for-sale process in public auctions and acquisitions of companies owning property projects. During the years from 2017 and up to the third quarter of 2020, the Group successfully completed acquisitions of land use rights of 132 land parcels. In particular, in the first three quarters of 2020, the land use rights of 52 land parcels were acquired by the Group, bringing an aggregate site area of approximately 2.2 million sq.m. and an aggregate estimated saleable gross floor area of approximately 4.8 million sq.m. to the Group's land reserves in the PRC.

As at 30 September 2020, the Group had ten completed property projects and/or sub-phases and 54 on-going complex property projects and/or sub-phases under development and planning. The 54 on-going complex property projects and/or sub-phases erecting on 125 land parcels with an aggregate site area of approximately 5.5 million sq.m., an aggregate estimated gross floor area of approximately 14.4 million sq.m. and an aggregate estimated saleable gross floor area of approximately 11.1 million sq.m. are currently under development and planning in the PRC. The land reserves under development and planning held by the Group have been substantially increased in terms of aggregate estimated saleable gross floor area by approximately 60.9% from approximately 6.9 million sq.m. as at 31 December 2019 to approximately 11.1 million sq.m. as at 30 September 2020. The continual successful land acquisitions complement the Group's strategy in expanding its business operations in Henan Province, the PRC. As represented by the Directors, the Board will continue to identify new property development projects and bid for land use rights of other selective land parcels in the PRC with a focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

### **Information on Zensun Development Group**

So far as known to the Directors, the principal business of Zensun Development Group includes Contracting Services and investment holdings in the PRC.

As advised by the Directors, Zensun Development Group possesses various required certifications, qualifications and registrations with abundant experience in carrying out Contracting Services in the PRC, which includes Special-grade Qualification for Construction Main Contractor\* (建築工程施工總承包特級資質), being the highest construction qualification in the scope of construction main contractor recognised by the relevant government bureaus, and such qualifications and experience enable Zensun Development Group to take up large-scale non-municipal engineering construction projects without restrictions. Moreover, Zensun Development Group is able to accommodate the development plan of the Group's property projects. Accordingly, the Directors consider Zensun Development Group to be a competent candidate to tender or quote for the Contracting Services required for development of the Group's property projects.

## LETTER FROM VBG CAPITAL

For our due diligence purpose, we have requested and obtained (i) copies of the construction and engineering qualification certificate(s) possessed by Zensun Development Group; and (ii) information regarding the track record of Zensun Development Group in providing Contracting Services in the PRC.

### **Overview of the property market of the PRC and Henan Province**

#### *The PRC's property market*

According to the latest statistics published by the National Bureau of Statistics of China in January 2020 at <http://www.stats.gov.cn>, the national property sector expanded with the total investment in real estate reaching approximately RMB13,219.4 billion in 2019, representing an approximate 9.9% growth as compared to the prior year, among which the investment in residential properties reached approximately RMB9,707.1 billion, increasing by approximately 13.9%. The total floor space newly commenced construction in 2019 was approximately 2,271.5 million sq.m., up by approximately 8.5% as compared to the prior year, among which the floor space newly commenced construction of residential properties reached approximately 1,674.6 million sq.m., up by approximately 9.2%. The total floor space of commercial buildings sold in 2019 remained stable at approximately 1,715.6 million sq.m., among which the floor space of residential properties sold grew by approximately 1.5% as compared to the prior year. The total sales of commercial buildings in 2019 were approximately RMB15,972.5 billion, up by approximately 6.5% as compared to the prior year, among which the sales of residential properties jumped by approximately 10.3%.

#### *The property market of Henan Province*

According to the latest statistics released by the Henan Province Bureau of Statistics in March 2020 at <http://www.ha.stats.gov.cn>, advancement in the property sector of Henan Province has been observed with the total investment in real estate reaching approximately RMB746.5 billion in 2019, representing an approximate 6.4% growth as compared to the prior year, among which the investment in residential properties reached approximately RMB605.5 billion, increasing by approximately 12.4%. The total floor space newly commenced construction in 2019 was approximately 158.4 million sq.m., up by approximately 7.9% as compared to the prior year, among which the floor space newly commenced construction of residential properties reached approximately 126.1 million sq.m., up by approximately 10.3%. The total floor space of commercial buildings sold in 2019 was approximately 142.8 million sq.m., up by approximately 2.1% as compared to the prior year, among which the floor space of residential properties sold grew by approximately 4.0%.

As revealed by the favourable findings of our independent research presented above, the future outlook of the PRC's property markets is likely to stay positive.

### **Reasons for the Transactions**

As aforementioned, since the second quarter of 2017, the Group has adopted a concrete expansion strategy in property development business in the PRC. Over the past years, the Group persisted continuing effort to expand its land reserves through listing-for-sale process in public auctions and acquisitions of companies owning property projects, which complement the Group's strategy of expanding its business operation. Shareholders may refer to the sub-section headed "Information on the Group" of this letter of advice for more information regarding the Group's historical financial performance and its business operation within the property development segment.

As mentioned under the sub-section headed "Information on Zensun Development Group" of this letter of advice, Zensun Development Group possesses various required certifications, qualifications and registrations with abundant experience in carrying out Contracting Services in the PRC, and such qualifications and experience enable Zensun Development Group to take up large-scale non-municipal engineering construction projects without restrictions. Moreover, Zensun Development Group is able to accommodate the development plan of the Group's property projects. Accordingly, the Directors consider Zensun Development Group to be a competent candidate to tender or quote for the Contracting Services required for development of the Group's property projects.

Taking into account (i) the astonishing financial results of the Group in 2019 and 2020 attributable to the satisfactory performance of the Group's property development business in the PRC; (ii) the strategy of the Group in expanding its property development business in the PRC; (iii) the solid background of Zensun Development Group; and (iv) the positive outlook of the property market of the PRC and Henan Province, we concur with the Directors that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

## **2. Principal terms of the 2021 Master Services Agreement**

Summarised below are the principal terms of the 2021 Master Services Agreement as extracted from the Letter from the Board:

- Date:** 21 October 2020
- Parties:** (1) The Company; and  
(2) Zensun Development as service provider
- Term:** The 2021 Master Services Agreement shall commence on 1 January 2021, and shall continue up to and including 31 December 2023, unless terminated earlier in accordance with the 2021 Master Services Agreement.

## LETTER FROM VBG CAPITAL

**Subject matter:** Pursuant to the 2021 Master Services Agreement, the Group shall conditionally appoint Zensun Development Group as its service provider to provide Contracting Services to the Group during the Term. Relevant members of the Group may from time to time enter into Individual Agreement(s) with relevant members of Zensun Development Group in relation to the provision of Contracting Services during the Term. The Individual Agreement(s) shall be on the basis of the service plans prepared by the Group and confirmed by the Group and Zensun Development Group and the terms of the Individual Agreement(s) shall be subject to the terms and conditions of the 2021 Master Services Agreement. All transactions under the existing agreements between relevant members of the Group and relevant members of Zensun Development Group in respect of the Contracting Services to be rendered after 1 January 2021 will be governed by the 2021 Master Services Agreement as from the Effective Date and subject to the 2021-2023 Annual Caps.

**Services to be provided:** Pursuant to the 2021 Master Services Agreement, Zensun Development Group shall provide Contracting Services to the Group which shall be construction, engineering and related services, including but not limited to, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance, consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction and project management, supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installations of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems.

### **Pricing policy**

As at the Latest Practicable Date, the Group's property projects were no longer abided by the mandatory tender requirements as stipulated under the Administration Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures (房屋建築和市政基礎設施工程施工招標投標管理辦法) given the policy amendments by the authority of the PRC. Nonetheless, as advised by the Directors, as a matter of good corporate governance, the Group adopted internal control measures in its procurement process of Contracting Services (the "**Internal Procurement Process**") and continues to issue tender invitations for Contracting Services with contract sum of RMB2 million or above before entering into the Individual Agreement(s).

For contracts in relation to procurement of Contracting Services with contract sum of RMB2 million or above, the Group shall issue tender invitations to at least

## LETTER FROM VBG CAPITAL

three construction contractors on the list of authorised contractors (including Independent Third Parties and Zensun Development Group) (the “**Authorised Contractors List**”) maintained by the Group with the required qualifications and capability to undertake construction projects as well as good reputation and credibility.

For contracts in relation to procurement of Contracting Services with contract sum of less than RMB2 million, the Group shall obtain quotations from at least three construction contractors with the required qualifications and capability as well as good reputation and credibility.

The Assessment Committee will assess the tenders or quotations submitted in respect of the Contracting Services with the following principal assessment criteria (the “**Criteria**”):

- (i) the pricing of the tender or quotation (in particular, in respect of a quotation or tender submitted by Zensun Development Group, the service fees and terms shall be no less favourable to the Group than the fees quoted by and terms available from Independent Third Parties);
- (ii) the technical specifications of the tender including construction planning, technical skills, quality and construction schedule; and
- (iii) the evaluation of the service provider considering the background and qualification, industry reputation, track record and previous work experience with the Group (if any).

In the event that the Company fails to receive enough bids or quotations at its satisfaction, the Company may reassess the scope of services required or revisit the design requirements and relaunch the tender or seek revised quotations.

Bidders assessed with the highest score based on the above Criteria will be awarded the Individual Agreement(s) for the Contracting Services. If a member of Zensun Development Group is considered by the Assessment Committee to have achieved the highest score based on the Criteria, an Individual Agreement will be entered into, where the fees for the Contracting Services will be the pricing bid or quotation placed by relevant member of Zensun Development Group.

## LETTER FROM VBG CAPITAL

In relation to the aforesaid Internal Procurement Process, we have (i) requested the Company to provide us with copies of the relevant internal control policy of the Group and the Authorised Contractors List; and (ii) discussed with the Directors regarding the implementation of the entire process. Based on the documents we obtained and our discussion with the Directors, we understand that there are sufficient qualified and competent construction contractors on the Authorised Contractors List from which the Group can select to issue tender invitations for contracts in relation to procurement of Contracting Services with contract sum of RMB2 million or more. As for contracts with contract sum of less than RMB2 million, the Group shall obtain quotations from at least three construction contractors with the required qualifications and capability as well as good reputation and credibility. The Group has set up the Assessment Committee, whose members shall (a) be nominated by a Board committee consisting of Mr. Zhang and Mr. Zhang Guoqiang, the executive Directors, and Mr. Liu Da, the chairman of the audit committee of the Company and an independent non-executive Director; and (b) include the heads of the Group's tendering and procurement department, the general managers of the Group's regional companies and the project managers of the Group's property development projects, to assess the tenders or quotations submitted in respect of the Contracting Services based on the standard objective Criteria as highlighted above.

To substantiate the Internal Procurement Process, we have further requested and obtained from the Company a few sets of walk through documents illustrating the Internal Procurement Process which the Group had previously carried out. In addition, we have reviewed (i) the individual agreements entered into between the Group (as recipient of service) and Zensun Development Group (as service provider) during the period between 2018 and 2020 regarding the provision of Contracting Services pursuant to the Renewed 2018 Master Services Agreement; and (ii) similar individual agreements entered into between the Group (as recipient of service) and other independent service providers, and we noted that the major terms (such as the terms on payment and warranties) of those agreements are similar to each other.

In light of the above, we are of the opinion that the terms of the 2021 Master Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. The 2021-2023 Annual Caps

The table below demonstrates the 2021-2023 Annual Caps for each of the three years ending 31 December 2021, 2022 and 2023, respectively:

	For the year ending 31 December		
	2021	2022	2023
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
The 2021-2023 Annual Caps	3,212	2,555	1,778



## LETTER FROM VBG CAPITAL

As advised by the Company, the 2021-2023 Annual Caps were determined taking into account:

- (i) the historical transaction amounts under the Renewed 2018 Master Services Agreement;
- (ii) the forecasted amounts of the Transactions for each of the three years ending 31 December 2021, 2022 and 2023 in relation to land parcels under development with an aggregate site area of approximately 1.1 million sq.m. held by the Group that have completed their tender or quotation process and have been awarded to Zensun Development Group (the “**Tendered Land Parcels**”);
- (iii) the forecasted amounts of the Transactions for each of the three years ending 31 December 2021, 2022 and 2023 in relation to land parcels under development and planning with an aggregate site area of approximately 2.0 million sq.m. held by the Group that are subject to the future tender or quotation process (the “**Land Parcels to be Tendered**”, together with the Tendered Land Parcels, the “**Land Parcels**”); and
- (iv) an additional 10% buffer on the forecasted amounts of the Transactions as possible variance of the costs arising from inflation in respect of the Contracting Services for development of the Land Parcels.

To assess the fairness and reasonableness of the 2021-2023 Annual Caps, we have enquired into the Directors for the basis of determining the 2021-2023 Annual Caps and independently reviewed the relevant calculations. We have requested and obtained from the Company the complete lists of the Tendered Land Parcels and the Land Parcels to be Tendered. We noted that the relevant tender or quotation process of the Tendered Land Parcels has been completed in accordance with the Internal Procurement Process, Zensun Development Group scored the highest and has been awarded and engaged by the Group as service provider for Contracting Services for construction of the Tendered Land Parcels and development of the relevant property projects. As for the Land Parcels to be Tendered, it is expected that Zensun Development Group would from time to time be the successful tenderer given its competence, experience and past history of being able to accommodate the development plan of the Group’s property projects.

The 2021-2023 Annual Caps were estimated with reference to the construction plans of the Land Parcels, which specify the development time schedule of the respective property projects as well as the budgeted construction and engineering costs to be incurred at each stage of the construction. We have requested and obtained from the Company the said construction plans, and discussed with the Directors with regard to the construction scale and breakdown of the budgeted construction and engineering costs. Based on our discussion with the Directors, we understand that the construction of a majority of the Land Parcels has commenced/ is expected to commence (as the case may be) in 2019/2020 and will be completed in 2022/2023. Regarding the expected development schedule of the property projects throughout the respective construction period of the Land Parcels, the Directors advised us that substantial Contracting Services

## LETTER FROM VBG CAPITAL

will be required during the first 15 months of the construction period, which is expected to fall from 2020 to 2021. With this being the case, we concur with the Directors that it is reasonable that the 2021-2023 Annual Caps, which were calculated primarily based on the expected proportion of the budgeted total construction and engineering costs payable to Zensun Development Group for Contracting Services from 2021 to 2023, to be the highest in 2021, and reducing gradually thereafter. On the other hand, given that the construction period is of medium to long term, the actual construction and engineering costs may vary from the budgets due to inflation and/or potential increase in market price and any unforeseeable factors. Hence, we concur with the Directors that it is reasonable to set aside an additional buffer when calculating the 2021-2023 Annual Caps and we consider 10% to be acceptable.

In view of the above basis of determination of the 2021-2023 Annual Caps, we are of the view that the 2021-2023 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Relevant Listing Rules' requirements**

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 2021-2023 Annual Caps for the years concerned under the 2021 Master Services Agreement; (ii) the terms of the 2021 Master Services Agreement (together with the 2021-2023 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 2021 Master Services Agreement (together with the 2021-2023 Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. As also 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 2021-2023 Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the 2021-2023 Annual Caps, or that there is any material amendment to the terms of the 2021 Master Services Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With 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 2021 Master Services Agreement (including the 2021-2023 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 conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. 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 2021 Master Services Agreement, the Transactions and the 2021-2023 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 15 years of experience in corporate finance industry.*

## 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	66.76
Ms. Huang	Interest of controlled corporation ( <i>Note 2</i> )	7,697,492,188	66.76

#### *Notes:*

- (1) Mr. Zhang (chairman, chief executive officer and an 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 are assets of the trust. Superior Glory Enterprises Limited, Notable Reward 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 ( <i>Note 1</i> )	1	100
Ms. Huang	Notable Reward Limited	Interest of controlled corporation ( <i>Note 1</i> )	1	100
Ms. Huang	Zensun Group Limited	Interest of controlled corporation ( <i>Note 1</i> )	1	100
Ms. Huang	Joy Town Inc.	Interest of controlled corporation ( <i>Note 1</i> )	1	100

*Notes:*

- (1) 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 are assets of the trust. Superior Glory Enterprises Limited, Notable Reward 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 2019”, 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 2019, 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**

On 4 November 2019, the Group entered into the Management and Sales Services Framework Agreement with Ever Diamond Global Company Limited pursuant to which the Group would provide management services and sales services to Ever Diamond Global Company Limited and its subsidiaries for a term commencing from 20 December 2019 up to and including 31 December 2021.

As Ever Diamond Global Company Limited is indirectly wholly-owned by the Discretionary Trust which is established by Ms. Huang as settlor and protector and Mr. Zhang is the spouse of Ms. Huang, both Ms. Huang and Mr. Zhang are considered to have a material interest in the Management and Sales Services Framework Agreement.

Save for the above and the 2021 Master Services Agreement, 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 both interested in Zensun Real Estate Co., Ltd\* (河南正商置業有限公司) (“**Zensun Real Estate**” together with its subsidiaries (the “**Zensun Real Estate Group**”)), a company indirectly wholly-owned by Ever Diamond Global Company Limited, and their subsidiaries and associated companies, as (i) Ms. Huang is the settlor and protector of the Discretionary Trust which wholly-owns the entire issued share capital of Ever Diamond Global Company Limited and (ii) Mr. Zhang is the director of Zensun Real Estate. To the best knowledge of the Directors, Zensun Real Estate is engaged in property development and related businesses in the PRC.

As a director of Zensun Real Estate, Mr. Zhang is only involved in its strategic vision, direction and goals and is not involved in the day-to-day management which has been delegated to the senior management team of the Zensun Real Estate Group, the members of which do not overlap with either the Directors or senior management team of the Group. As the senior management team of the Group is independent from that of Zensun Real Estate, the Group has therefore been capable of carrying on its businesses independently of, and at arm’s length from, the businesses of Zensun Real Estate.

**(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	66.76
Superior Glory Enterprises Limited	Interest of controlled corporation ( <i>Note</i> )	7,697,492,188	66.76
Notable Reward Limited	Interest of controlled corporation ( <i>Note</i> )	7,697,492,188	66.76
Zensun Group Limited	Interest of controlled corporation ( <i>Note</i> )	7,697,492,188	66.76
Joy Town Inc.	Beneficial owner ( <i>Note</i> )	7,697,492,188	66.76

*Note:* These Shares are owned 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 are 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 2019**

On 31 March 2020, Total Star Development Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser and Champ Win Enterprise Limited (a company indirectly wholly-owned by Ms. Huang and a connected person of the Company) as the vendor entered into the sale and purchase agreement, pursuant to which the vendor conditionally agreed to sell, and the purchaser conditionally agreed to acquire, the entire issued share capital of Xingcheng Holdings Limited, a company wholly-owned by the vendor, at the total consideration of RMB2,368,000,000 (the “**Acquisition**”). Joy Town Inc., a company ultimately owned by the Discretionary Trust established by Ms. Huang as settlor and protector, entered into a loan agreement with the Company to provide, upon the Company’s request, unsecured, interest-free loan of RMB2,368,000,000 as financial assistance to the Company to finance the Acquisition. The Acquisition was completed on 12 June 2020.

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 2019.

#### **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 2019, 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:

<b>Name</b>	<b>Qualification</b>
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 2019 (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 company secretary of the Company is Mr. Yuen Ping Man, who is a fellow member of the Chartered Governance Institute (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 2021 Master Services Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 17 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 18 to 30 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**

*(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 Tuesday, 8 December 2020 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 an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the 2021 Master Services Agreement (as defined and described in the circular of the Company dated 18 November 2020 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the 2021 Master Services Agreement marked “B” are tabled before the Meeting and initialled 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 2021-2023 Annual Caps as defined and described in the Circular in respect of the Contracting Service as defined and described in the Circular to be provided by the Company and its subsidiaries under the transactions contemplated under the 2021 Master Services Agreement for each of the financial years ending 31 December 2021, 2022 and 2023 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 2021 Master Services Agreement, the transactions contemplated thereunder, the 2021-2023 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, 18 November 2020

*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 10:00 a.m. on Sunday, 6 December 2020) (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 Thursday, 3 December 2020 to Tuesday, 8 December 2020 (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 Wednesday, 2 December 2020.

## 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 date.
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.*