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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 TRANSACTIONS SUPPLEMENTAL AGREEMENT TO THE MASTER PROPERTY MANAGEMENT FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS

Supplemental Agreement and Revision of Annual Caps

Reference is made to the announcements of the Company dated 17 April 2020 and 23 April 2020 in relation to, *inter alia*, the Master Property Management Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

After considering the expected expansion in the scale and scope of the Property Management and Value-added Services to be provided by Xingye Wulian Group to include the Property Management and Value-added Services for sales offices and show flats of the Group, on 28 August 2020, the Company and Xingye Wulian entered into the Supplemental Agreement to amend certain terms of the Master Property Management Framework Agreement. Further, the Board also proposed to revise the Annual Caps for the transactions contemplated under the Master Property Management Framework Agreement for each of the three financial years ending 31 December 2022.

Listing Rules Implications

As at the date of this announcement, the entire issued share capital of Xingye Wulian is indirectly owned as to approximately 56.59% by the Blossom Trust, which is controlled by Ms. Zhang as the protector. Ms. Zhang is the daughter of Mr. Zhang Jingguo, the Chairman, Chief Executive Officer and executive Director and Ms. Huang Yanping, the non-executive Director, as such, Xingye Wulian is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Given that one or more of the applicable percentage ratios based on the Revised Annual Caps in relation to the Property Management and Value-added Services to be provided by Xingye Wulian Group under the Master Property Management Framework Agreement (as amended

by the Supplemental Agreement) exceed 0.1% and is less than 5%, therefore, the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps constitute continuing connected transactions of the Company and are subject to re-compliance with the announcement requirement but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

Reference is made to the announcements of the Company dated 17 April 2020 and 23 April 2020 in relation to *inter alia* the Master Property Management Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

As disclosed in the announcement of the Company dated 17 April 2020, the Company and Xingye Wulian entered into the Master Property Management Framework Agreement on 18 February 2020 pursuant to which the Group appointed Xingye Wulian Group as its service provider to provide the Property Management and Value-added Services to the Group for a term commencing from 9 March 2020 to 31 December 2022.

After considering the expected expansion in the scale and scope of the Property Management and Value-added Services to be provided by Xingye Wulian Group to include the Property Management and Value-added Services for sales offices and show flats of the Group, on 28 August 2020, the Company and Xingye Wulian entered into the Supplemental Agreement to amend certain terms of the Master Property Management Framework Agreement. Further, the Board also proposed to revise the Annual Caps for the transactions contemplated under the Master Property Management Framework Agreement for each of the three financial years ending 31 December 2022. The Supplemental Agreement is conditional upon approval by the independent shareholders of Xingye Wulian at the extraordinary general meeting of Xingye Wulian having been obtained.

Principal Terms

Principal terms of the Master Property Management Framework Agreement as amended by the Supplemental Agreement are summarised as follows:

Date : 28 August 2020

Parties : (1) Xingye Wulian; and
(2) the Company.

Subject matter (as amended by the Supplemental Agreement) : Pursuant to the Master Property Management Framework Agreement, the following Property Management and Value-added Services shall be provided by Xingye Wulian Group to the Group:

- property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services; and
- value-added services which include repair and maintenance for

exclusive use areas, renovation waste clearance, intermediary leasing services, etc.

Pursuant to the Supplemental Agreement, the Property Management and Value-added Services to be provided by Xingye Wulian Group to the Group shall be amended to include:

- property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance and customer services for (i) common areas of properties under management; (ii) sales offices and show flats; and (iii) exclusive use areas designated by the Group (as the case may be); and
- value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc.

Condition precedent : The Supplemental Agreement and the transactions contemplated thereunder are conditional on the approval by the independent shareholders of Xingye Wulian at the extraordinary general meeting of Xingye Wulian.

Term : The Supplemental Agreement shall commence on the date on which all condition precedent set out in the Supplemental Agreement are fulfilled. The term of the Master Property Management Framework Agreement shall commence from 9 March 2020 and shall continue up to and including 31 December 2022, unless terminated earlier in accordance with the terms of the Master Property Management Framework Agreement.

Pricing policy (as amended by the Supplemental Agreement) : The basis for charging the fees depend on the nature of the Property Management and Value-added Services provided.

For property management services for (i) common areas of properties under management; (ii) greening and gardening services for sales offices and show flats; and (iii) exclusive use areas designated by the Group, fees to be charged are based on a unit rate for each square metre of GFA being managed by Xingye Wulian Group.

For property management services for sales offices and show flats (save for greening and gardening services), fees to be charged are based on a fixed sum per month determined by a mark-up of approximately 8% on cost incurred by Xingye Wulian Group in providing the services.

For value-added services, fees to be charged are based on a unit rate or fixed sum determined by a mark-up of a minimum of 8% on cost incurred by Xingye Wulian Group in providing the services.

For each individual property project requiring property management services in common areas, the Group shall issue tender invitations to at

least three organizations with the relevant qualifications and capability (including Xingye Wulian Group) in the course of development. For other Property Management and Value-added Services (including property management services to sales offices and show flats and exclusive use areas designated by the Group, and value-added services), the Group shall obtain quotations from at least three organizations with the relevant qualifications and capability (including Xingye Wulian Group).

The assessment committee of the Company will assess the tenders or quotations submitted in respect of Property Management and Value-added Services with reference to the following criteria:

- (i) the pricing of the quotation or tender (it should be made with reference to the standard fees or pricing guidance on property management fees designated by local government and/or relevant regulatory authorities (if any));
- (ii) the qualification, industry reputation and background (financial and ownership) of the potential service provider;
- (iii) previous cooperation experience and our valuation of their past performance (if any); and
- (iv) in respect of a quotation or tender submitted by Xingye Wulian Group, the service fees and terms shall be no less favourable to the Group than the standard fees to be quoted by and terms available from Independent Third Parties.

To the best knowledge of the Directors, Xingye Wulian Group will determine its tender or quotation price after taking into account (i) the nature and location of the properties; (ii) scope and quality of the service required; (iii) expected operational costs (including staff costs, subcontracting costs, material costs and operational administrative expenses); (iv) standard fees or pricing guidance on property management fees designated by local government and/or relevant regulatory authorities; (if any); (v) the 50% discount for the property management fees usually offered for unsold properties; and (vi) potential competitors' pricing. The service provider with the highest score will be selected and contracts will be entered into with the service provider, where the fees will be the pricing bid or quotation placed by the successful service provider.

Proposed Revised Annual Caps (as amended by the Supplemental Agreement) : Under the Supplemental Agreement, the Annual Caps are to be revised as follows:

		For the year ending 31 December		
		2020	2021	2022
		RMB' million	RMB' million	RMB' million
Original	Annual	9.5	19.5	23.0

Caps				
Revised	Annual	21.0	66.0	66.0
Caps				

Save as disclosed above, all existing terms and conditions under the Master Property Management Framework Agreement shall remain unchanged.

HISTORICAL TRANSACTION AMOUNTS

The actual transaction amounts incurred by the Group to the subsidiaries of Xingye Wulian for the provision of Property Management and Value-added Services for the three financial years ended 31 December 2019 was nil, approximately RMB5.3 million and RMB8.6 million, respectively.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT AND REVISION OF THE ANNUAL CAPS

The Group has selected Xingye Wulian Group in the provision of property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance and customer services to sales offices and show flats developed by the Group. As Xingye Wulian Group has been providing Property Management and Value-added Services for unsold properties of those non-residential properties developed by the Group, the Group considers that the property management services provided to sales offices and show flats are of similar nature, and the provision of property management services to sales offices and show flats is merely an expansion of the existing scale and scope of Property Management and Value-added Services provided by Xingye Wulian Group. Further, the Directors consider that the pricing policy as set out in the Master Property Management Framework Agreement (as amended by the Supplemental Agreement) in selecting and pricing the contracts for the provision of Property Management and Value-added Services by Xingye Wulian Group could ensure the pricing will be competitive and on normal commercial terms, while at the same time maintaining the quality of the services to be provided.

The unaudited actual transaction amount for the Property Management and Value-added Services provided by Xingye Wulian Group to the Group for the six months ended 30 June 2020 are set out as follows:

	For the six months ended 30 June 2020
	RMB' million
Annual cap for the year ending 31 December 2020	9.5
Unaudited actual transaction amount	3.3

As at the date of this announcement, Xingye Wulian Group has been selected to provide property management services for 16 sales offices and show flats for projects of the Group. In anticipation of the additional Property Management and Value-Added Services to be provided by Xingye Wulian Group to sales offices and show flats for projects of the Group, the Board expected that the Annual Caps under the Master Property Management Framework Agreement would be exceeded, therefore the Board proposed to revise the Annual Caps.

The Revised Annual Caps were determined with reference to the following factors:

- (i) the unaudited actual transaction amounts incurred under the Master Property Management Framework Agreement for the six months ended 30 June 2020;
- (ii) the number and scale of sales offices and show flats for which the Group has invited Xingye Wulian Group to provide a fee quotation or has selected Xingye Wulian Group to provide property management services;
- (iii) the delivery date and sales timetable of the properties for which the Group has invited Xingye Wulian Group to provide a fee quotation or has selected Xingye Wulian Group to provide property management services;
- (iv) the historical success rate of Xingye Wulian Group in securing property management projects in sales offices and show flats of the Group through quotations; and
- (v) the expected delivery date, expected GFA to be delivered and expected proportion of unsold properties of other pipeline properties and carparks remaining unchanged.

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

In view of the above, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps are (a) on normal commercial terms; (b) in the ordinary and usual course of business of the Group; (c) fair and reasonable, and the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND XINGYE WULIAN GROUP

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

Xingye Wulian is a company incorporated in the Cayman Islands with limited liability and is principally engaged in the provision of property management and value-added services and property engineering services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the entire issued share capital of Xingye Wulian is indirectly owned as to approximately 56.59% by the Blossom Trust, which is controlled by

Ms. Zhang as the protector. Ms. Zhang is the daughter of Mr. Zhang Jingguo, the Chairman, Chief Executive Officer and executive Director and Ms. Huang Yanping, the non-executive Director, as such, Xingye Wulian is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Given that one or more of the applicable percentage ratios based on the Revised Annual Caps in relation to the Property Management and Value-added Services to be provided by Xingye Wulian Group under the Master Property Management Framework Agreement (as amended by the Supplemental Agreement) exceed 0.1% and is less than 5%, therefore, the Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps constitute continuing connected transactions of the Company and are subject to re-compliance with the announcement requirement but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

"Annual Caps"	the maximum annual transaction amounts payable by the Group to Xingye Wulian Group for the Property Management and Value-added Services under the Master Property Management Framework Agreement for each of the three financial years ending 31 December 2022, being RMB9,500,000, RMB19,500,000 and RMB23,000,000
"Blossom Trust"	the family trust established by Ms. Huang Yanping as the settlor, with Vistra Trust (BVI) Limited acting as the trustee, Ms. Zhang acting as the protector and Ms. Zhang and her descendants appointed as discretionary beneficiaries
"Board"	the board of Directors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Zensun Enterprises Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 185)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"continuing connected transaction"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"GFA"	gross floor area
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Master Property Management Framework Agreement"	the agreement in relation to the provision of the Property Management and Value-added Services from Xingye Wulian Group to the Group entered into between Xingye Wulian and the Company on 18 February 2020
"Ms. Zhang"	Ms. Zhang Huiqi, who is the daughter of Mr. Zhang Jingguo, the Chairman, Chief Executive Officer and executive Director and Ms. Huang Yanping, the non-executive Director
"PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property Management and Value-added Services"	the provision of property management and value-added services, which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer service, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. by Xingye Wulian Group to the Group, which is amended as set out in the sub-paragraph headed "Principal Terms" under the paragraph headed "The Supplemental Agreement" in this announcement
"Revised Annual Caps"	the proposed revised maximum annual transaction amounts payable by the Group to Xingye Wulian Group for the Property Management and Value-added Services under the Master Property Management Framework Agreement (as amended by the Supplemental Agreement) for each of the three financial years ending 31 December 2022, being RMB21,000,000, RMB66,000,000 and RMB66,000,000
"RMB"	Renminbi, the lawful currency of the PRC

"Shareholder(s)"	the holder(s) of share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
"Supplemental Agreement"	the supplemental agreement dated 28 August 2020 entered into between Xingye Wulian and the Company in relation to the Master Property Management Framework Agreement
"Xingye Wulian"	Xingye Wulian Service Group Co. Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 9916)
"Xingye Wulian Group"	Xingye Wulian and its subsidiaries from time to time
"%"	per cent

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

Hong Kong, 28 August 2020

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