

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)

**CONNECTED TRANSACTION INVOLVING LOAN
CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**建泉融資有限公司
VBG Capital Limited**

A letter from the board of directors of Zensun Enterprises Limited 正商實業有限公司 (the “Company”) is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee (as defined herein) is set out on page 14 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 15 to 31 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 Thursday, 24 December 2020 at 10 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM of the Company is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.zensunenterprises.com>). Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon 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 Tuesday, 22 December 2020 at 10 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.

8 December 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) and the website of the Hong Kong Government on COVID-19 (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:

“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm” warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for general banking business in Hong Kong
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Zensun Enterprises Limited 正商實業有限公司, 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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 Thursday, 24 December 2020 at 10 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
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“General Mandate”	the general mandate granted to the Directors by the then Shareholders by ordinary resolution passed at the annual general meeting of the Company held on 9 June 2020 to allot, issue and deal with new Shares up to a maximum of 20% of the total number of the issued Shares as at that date, i.e. up to 2,306,011,989 new Shares
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) or company(ies) who/which is or are independent of and not connected with the Company and connected persons of the Company
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Dr. Liu Qiao, Mr. Liu Da and Mr. Ma Yuntao, formed to advise the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
“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 Subscription Agreement and the transactions contemplated thereunder
“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
“Latest Practicable Date”	3 December 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

“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
“Placee(s)”	any professional, institutional or other investor selected and procured by or on behalf of the Placing Agent to subscribe any of the Placing Shares on the terms and subject to the conditions set out in the Placing Agreement
“Placing”	the placing, on a best effort basis, of a total of up to 1,526,090,000 new Shares to be allotted and issued pursuant to the terms of the Placing Agreement
“Placing Agent”	DL Securities (HK) Limited, a licensed corporation to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 24 November 2020 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.460 per Placing Share
“Placing Share(s)”	up to 1,526,090,000 new Shares to be placed under the Placing
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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)

DEFINITIONS

“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares upon Subscription Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Subscriber”	Joy Town Inc., a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 24 November 2020 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Completion”	the completion of the Subscription pursuant to the Subscription Agreement, which shall take place on the Subscription Completion Date
“Subscription Completion Date”	the date of Subscription Completion
“Subscription Price”	HK\$0.460 per Subscription Share
“Subscription Share(s)”	6,077,716,750 Shares, being the Shares to be allotted and issued to the Subscriber subject to the terms of the Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“substantial shareholders”	has the meaning ascribed to it in the Listing Rules
“US\$”	US dollar, the lawful currency of the United States of America
“%”	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

8 December 2020

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING LOAN
CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 24 November 2020 in relation to, among other things, the placing of new Shares under General Mandate and the loan capitalisation through subscription for new Shares by the Subscriber under Specific Mandate.

LETTER FROM THE BOARD

On 24 November 2020 (after the trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed to place as the Company's placing agent on a best effort basis the Placing Shares up to 1,526,090,000 new Shares at the Placing Price of HK\$0.460 per Placing Share.

On 24 November 2020 (after the trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price.

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription Agreement; (ii) the recommendation from the Independent Board Committee in respect of the Subscription; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) the notice of the EGM.

THE SUBSCRIPTION AGREEMENT

Date

24 November 2020

Parties

- (1) The Company; and
- (2) The Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Subscriber is a controlling Shareholder, holding 7,697,492,188 Shares, representing approximately 66.76% of the number of the issued Shares and is ultimately owned by a discretionary trust established by Ms. Huang, the non-executive Director, as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee, accordingly, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules.

Number of Subscription Shares

6,077,716,750 Subscription Shares, which represent (i) approximately 52.71% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 31.76% of the number of issued Shares as enlarged by the allotment and issue of the Placing Shares and Subscription Shares in full, assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Subscription Completion Date other than the Placing and the Subscription.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price is HK\$0.460 per Subscription Share, and the aggregate Subscription Price for all Subscription Shares shall be settled by way of capitalisation of the entire shareholders' loan owing to the Subscriber in the amount of approximately HK\$2,795.7 million upon Subscription Completion. It represents:

- (i) a discount of approximately 1.08% to the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.17% to the closing price of HK\$0.480 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (iii) a discount of approximately 0.86% to the average closing price of approximately HK\$0.464 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was determined, among others, with reference to the market price of the Shares under the prevailing market conditions, performance and financial position of the Group and was negotiated on an arm's length basis between the Company and the Subscriber.

The net issue price per Subscription Share (after deduction of professional fees and all related expenses which may be borne by the Company) is approximately HK\$0.460.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the issued Shares as at the Subscription Completion Date.

Conditions of the Subscription

Completion is subject to the following conditions:

- (a) the Independent Shareholders having approved the terms and authorised the execution of and performance by the Company of its obligations under the Subscription Agreement;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange (and such listing and permission not subsequently revoked);
- (c) the Company being able to meet the public float requirement under the Listing Rules upon Subscription Completion;

LETTER FROM THE BOARD

- (d) all other necessary consents, approvals, permits or licences from the relevant governmental or regulatory authorities or other third parties in relation to the transactions contemplated under the Subscription Agreement having been obtained;
- (e) the representations and warranties made by the Company where required to be repeated in accordance with the Subscription Agreement at Subscription Completion being materially true and accurate at the time of Subscription Completion, as though then made and the Company not otherwise being in material breach of its obligations under the Subscription Agreement;
- (f) the Placing having been completed in accordance with the Placing Agreement.

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

If the conditions set out above are not fulfilled on or before 22 January 2021 (or such later date as may be agreed between the Subscriber and the Company), being the long stop date, the Subscription Agreement shall terminate.

Completion

Completion of the Subscription shall take place within four Business Days after satisfaction of all the conditions of the Subscription or such other time or date as the Company and the Subscriber shall agree in writing.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

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

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the shareholders' loan owing to the Subscriber as at 30 June 2020 was approximately RMB2,368.0 million (equivalent to approximately HK\$2,795.7 million) which was interest-free and repayable on demand. The Subscriber and the Company agreed that the entire shareholders' loan owing from the Group to the Subscriber shall be capitalised as consideration for Subscription upon Subscription Completion and it shows the confidence and support of the controlling shareholder towards the long-term development of the Company.

LETTER FROM THE BOARD

The Directors consider that the Subscription would pose an opportunity for the Company to further improve the gearing ratio of the Company while maintaining a strong cash position which would allow the Group to grasp opportunities in land acquisitions when it arises. The Company had considered other fund raising alternatives available to the Group for the repayment of the shareholders' loan owing to the Subscriber such as debt financing, rights issue and open offer. The Company considers that it would be prudent to finance the funding needs of the Group in the form of equity as opposed to debt financing which would result in additional interest burden and increase the Group's finance costs. On the other hand, rights issue or open offer would involve the issue of listing documents with other application and administrative procedures which is relatively more time consuming and less cost effective. Given the uncertain investor sentiment in view of the COVID-19 outbreak and US-China trade conflict, the Company considers it would be prudent to control the costs of fund-raising as far as practicable and the Subscription of new Shares by the Subscriber can provide higher certainty of successful fund-raising with minimal transaction costs compared to rights issue or open offer.

Although the allotment and issue of the Subscription Shares will have a dilution effect to the existing Shareholders, having considered the Subscription Shares, when allotted and issued, will be recognized entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base for business development and enhance the net asset position of the Company, the Directors consider that the dilution effect arising from the allotment and issue of the Subscription Shares is justifiable in this regard.

As the Subscriber is an associate of Mr. Zhang and Ms. Huang, Mr. Zhang and Ms. Huang are considered to have a material interest in the Subscription and have abstained from voting on the Board resolution(s) of the Company to approve the Subscription Agreement and the transactions contemplated thereunder. Save as disclosed, no other Director has a material interest in the Subscription and therefore has abstained from voting on the board resolution(s) of the Company to approve the Subscription Agreement and the transactions contemplated thereunder.

In view of (i) the above reasons for the Subscription to raise additional equity funding to strengthen the capital base and financial position and it would be more cost effective to raise such sizeable amount through a Subscription as opposed to rights issue or open offer; (ii) the Subscription could save finance costs on potential debt financing; and (iii) the Subscription Price offered to the Subscriber which is a connected person of the Company is the same as the Placing Price offered to not less than six Placees who are independent third parties with reference to the prevailing market price of the Shares, the Directors (other than Mr. Zhang and Ms. Huang who abstained from voting and members of the Independent Board Committee who will form their view after considering the advice of the independent financial adviser with regard to the Subscription and the transactions contemplated thereunder) consider that the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
8 May 2020	Allotment and issue of 1,235,360,000 Shares at the placing price of HK\$0.33 per placing Share on 27 May 2020 pursuant to the placing agreement dated 8 May 2020	Approximately HK\$401.1 million	(i) Approximately HK\$361.0 million for repayment of bank and other borrowings due during the period ending 31 December 2020; and (ii) approximately HK\$40.1 million for general working capital.	The entire net proceeds had been used as intended

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

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Subscription Completion, assuming that the Placing Shares are placed in full and no further Shares have been issued or repurchased before Subscription Completion save for the Placing Shares:

	As at the Latest Practicable Date		Immediately after Subscription Completion (assuming that the Placing Shares are placed in full and no further Shares have been issued or repurchased before Subscription Completion save for the Placing Shares)	
	Number of shares	Approximate %	Number of shares	Approximate %
The Subscriber ^(Note)	7,697,492,188	66.76	13,775,208,938	71.99
Places	-	-	1,526,090,000	7.98
Other public Shareholders	3,832,567,760	33.24	3,832,567,760	20.03
Total	11,530,059,948	100	19,133,866,698	100

Note: These Shares are directly owned by Joy Town Inc., which are ultimately owned by a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee and Ms. Huang and Ms. Zhang Huiqi as beneficiaries under the discretionary trust. Joy Town Inc. is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Ms. Huang is the sole director of Joy Town Inc. and Notable Reward Limited and Mr. Zhang is the sole director of Zensun Group Limited.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is a controlling Shareholder, holding 7,697,492,188 Shares, representing approximately 66.76% of the number of the issued Shares. The Subscriber is ultimately owned by a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee and Ms. Huang and Ms. Zhang Huiqi as beneficiaries under the discretionary trust. The Subscriber is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust.

Since the Subscriber is a connected person of the Company under the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Subscription Agreement are on normal commercial terms or better and are fair and reasonable, (ii) whether the Subscription, together with the proposed issue and allotment of Subscription Shares under Specific Mandate 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 to give a recommendation as to voting at the EGM. 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 has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE EGM

The EGM Notice is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution(s) at the EGM. The Subscriber and its associates shall be required to abstain from voting on the resolution of the Company in approving (i) the Subscription Agreement and the transactions contemplated thereunder at the EGM; and (ii) the grant of the Specific Mandate. Save as aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution of the Company in approving (i) the Subscription Agreement and the transactions contemplated thereunder at the EGM; and (ii) the grant of the Specific Mandate.

LETTER FROM THE BOARD

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 Tuesday, 22 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. 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.

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 Monday, 21 December 2020 to Thursday, 24 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 Friday, 18 December 2020 at 4:30 p.m..

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the advice of VBG Capital Limited) consider that although the Subscription is not in the ordinary and usual course of the business of the Group, the terms of the Subscription Agreement, together with the proposed issue and allotment of the Subscription Shares under the Specific Mandate are (i) on normal commercial terms; (ii) fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 14 of this circular which contains its recommendation to the Independent Shareholders in relation to the Subscription after taking into account the advice from VBG Capital Limited, and the letter from VBG Capital Limited as set out on pages 15 to 31 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription.

Your attention is also drawn to the additional information set out in the appendix 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)

8 December 2020

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING LOAN
CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 8 December 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 (i) whether the terms of the Subscription Agreement are on normal commercial terms or better and are fair and reasonable; (ii) whether the Subscription, together with the proposed issue and allotment of Subscription Shares under the Specific Mandate 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 to give a recommendation as to voting at the EGM.

We wish to draw your attention to the letter from the Board, the letter of advice from VBG Capital Limited and additional information in the appendix as set out in the Circular. Having considered the terms of the Subscription Agreement and the transactions contemplated thereunder and the advice given by VBG Capital Limited, we are of the opinion that although the Subscription is not in the ordinary and usual course of the business of the Group, the terms of the Subscription Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Subscription, together with the proposed issue and allotment of Subscription Shares under the Specific Mandate, are 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 (i) the Subscription Agreement and the transactions contemplated thereunder and (ii) the grant of the Specific Mandate.

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 Subscription 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

8 December 2020

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

Dear Sirs,

CONNECTED TRANSACTION INVOLVING LOAN CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

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 Subscription, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 8 December 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.

On 24 November 2020, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price of HK\$0.460 per Subscription Share. The aggregate Subscription Price for all Subscription Shares shall be settled by way of capitalisation of the entire shareholders' loan owed by the Group to the Subscriber in the amount of RMB2,368 million (equivalent to approximately HK\$2,795.7 million) (the "**Shareholders' Loan**"). On even date, the Company also entered into the Placing Agreement in respect of the Placing. Completion of the Placing is one of the conditions precedent to the Subscription Completion. As at the Latest Practicable Date, the Placing had not yet been completed.

The 6,077,716,750 Subscription Shares represent (i) approximately 52.71% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 31.76% of the number of issued Shares as enlarged by the proposed allotment and issue of the Placing Shares and the Subscription Shares (assuming that the Placing Shares are placed in full and no further Shares have been issued or repurchased before the Subscription

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Completion Date save for the Placing Shares). The Subscription Shares will be issued under the Specific Mandate to be granted by the Independent Shareholders at the EGM and will rank *pari passu* in all respects among themselves and with the issued Shares as at the Subscription Completion Date.

According to the Letter from the Board, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Subscription is therefore subject to the reporting, 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 Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription together with the proposed issue and allotment of the Subscription Shares under the Specific Mandate 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 to approve the Subscription 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 subscription of new Shares of which a circular dated 23 May 2019 was issued; (ii) a continuing connected transaction of which a circular dated 3 December 2019 was issued; (iii) the major and connected acquisition of which a circular dated 25 May 2020 was issued; and (iv) a continuing connected transaction of which a circular dated 18 November 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 of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Subscription.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Subscription, 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 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.

LETTER FROM VBG CAPITAL

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Subscriber, Ms. Huang, Mr. Zhang or their respective subsidiaries or associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscription

Review of the Group's business

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 four years ended 31

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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	For the year ended 31 December 2017 (audited & restated) RMB'000	For the year ended 31 December 2016 (audited & restated) RMB'000
Revenue	2,237,563	327,890	8,887,186	601,470	1,100,419	67,960
Profit/(Loss) for the period/year	109,086	37,487	1,151,458	28,492	131,602	(54,214)

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. Contributed by the successful expansion of this business, the Group, as depicted by the above table, had been able to turnaround from the previous loss making position and recorded drastic increase in total revenue of approximately 1,519.2% in 2017. Although the Group's financial performance was seemingly less attractive for the year ended 31 December 2018 in terms of total revenue recorded and profitability, according to the Directors, the decrease in total revenue was due to the Group's focus on providing high quality housing to the customers with certain of the Group's property projects designed to be delivered with full refurbishment. As such, there was no delivery of newly completed property projects during 2018 as a longer development schedule was required for full refurbishment, as compared to the launch of first delivery of two completed property projects in 2017.

After the aforesaid transitional drop in total revenue recorded and profitability in 2018, the Group was soon capable to pick up the growing momentum during 2019. For the year ended 31 December 2019, the Group achieved astonishing financial results, with total revenue and net profit increasing by approximately 1,377.6% and 3,941.3% respectively as compared to the prior year. Such robust growth has continued during the six months ended 30 June 2020 notwithstanding the outbreak of the COVID-19 pandemic. As compared to the corresponding period in 2019, the Group's total revenue and net profit increased by approximately 582.4% and 191.0% respectively during the first half of 2020.

Over the past years, the Group persisted in its 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

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approximately 2.2 million square meters (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 aggregated 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. As represented by the Directors, the Board will continue to identify new property 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.

The Group's financial resources and liquidity

The table below summarises the Group's unaudited financial resources and liquidity as at 30 June 2020 as extracted from the 2020 Interim Report:

	As at 30 June 2020 <i>RMB'000</i>
Current assets	
– Pledged deposits	404,902
– Restricted bank balances	1,225,202
– Cash and cash equivalents	2,518,613
 Non-current assets	
– Pledged deposits	19,336
 Current liabilities	
– Contract liabilities	22,023,557
– Bank and other borrowings	5,814,361
– Amounts due to related companies	3,845,234
– Loans from a related company	6,733,482
– The Shareholders' Loan	2,368,000
 Non-current liabilities	
– Bank loans and other borrowings	11,687,094
 Gearing ratio (being the ratio of total borrowings (i.e. the sum of the liabilities save for contract liabilities as listed above totaling approximately RMB30,448.2 million) less the aggregate of cash and cash equivalents, restricted bank balances and pledged deposits totaling approximately RMB4,168.1 million to total assets of approximately RMB61,773.2 million)	42.5%

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Cash and bank balances

As at 30 June 2020, the Group had cash and bank balances totaling approximately RMB4,168.1 million. Over one-third of the Group's total cash and bank balances were pledged or restrictive for construction payments.

Contract liabilities

The contract liabilities of the Group amounted to approximately RMB22,023.6 million as at 30 June 2020. With reference to the 2020 Interim Report, the Group also had capital commitments which are contracted but not provided for totaling approximately RMB15,164.5 million as at 30 June 2020.

Bank and other borrowings

As at 30 June 2020, the Group had total bank and other borrowings (including both short-term and long-term borrowings) of approximately RMB17,501.5 million, out of which approximately RMB5,814.4 million are repayable within one year or on demand. The bank and other borrowings comprise two senior notes issued by the Company to independent third parties (the "**Senior Notes**") in the principal amounts of US\$200 million at interest of 12.5% per annum and US\$340 million at interest of 12.8% per annum. On top of the Senior Notes, the Group's bank and other borrowings carry floating and fixed interest rates, the fixed interest rates of which range from 4.95% to 11.0% per annum.

With reference to the 2020 Interim Report, as at 30 June 2020, certain bank and financial institutions facilities granted to the Group together with the mortgage loan facilities granted to the property buyers of the Group were secured by the Group's investment properties, properties under development and pledged deposits with total carrying values of approximately RMB18,846.6 million. Shares of the subsidiaries of the Group were also pledged to secure certain bank and financial institutions facilities granted to the Group as at 30 June 2020. In addition, the Senior Notes and certain bank and financial institutions facilities granted to the Group were guaranteed by related companies which are ultimately controlled by Ms. Huang and Mr. Zhang (the "**Guarantees**").

Amounts due to related companies

According to the 2020 Interim Report, the amounts due to related companies of approximately RMB3,845.2 million are unsecured, interest-free and repayable on demand. Ms. Huang and Mr. Zhang have the controlling interests over those related companies.

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Loans from a related company

The Group (as borrower) entered into loan agreements with a related company which is ultimately controlled by Ms. Huang (as lender), pursuant to which the lender will provide unsecured loan(s) to the Group. As at 30 June 2020, the lender had provided loans of approximately RMB6,733.5 million (such loans together with the amounts due to related companies as aforementioned, the “**Related Loans**”) in aggregate to the Group. These loans are unsecured, interest-free and repayable on demand.

The Shareholders’ Loan

As disclosed in the announcement of the Company dated 31 March 2020, the Subscriber and the Company entered into a loan agreement on even date, pursuant to which the Subscriber has agreed to provide the Shareholders’ Loan of RMB2,368 million which is unsecured and interest-free to the Company. The Shareholders’ Loan is subject to discretionary right on the Subscriber to demand immediate repayment.

Information on the Subscriber

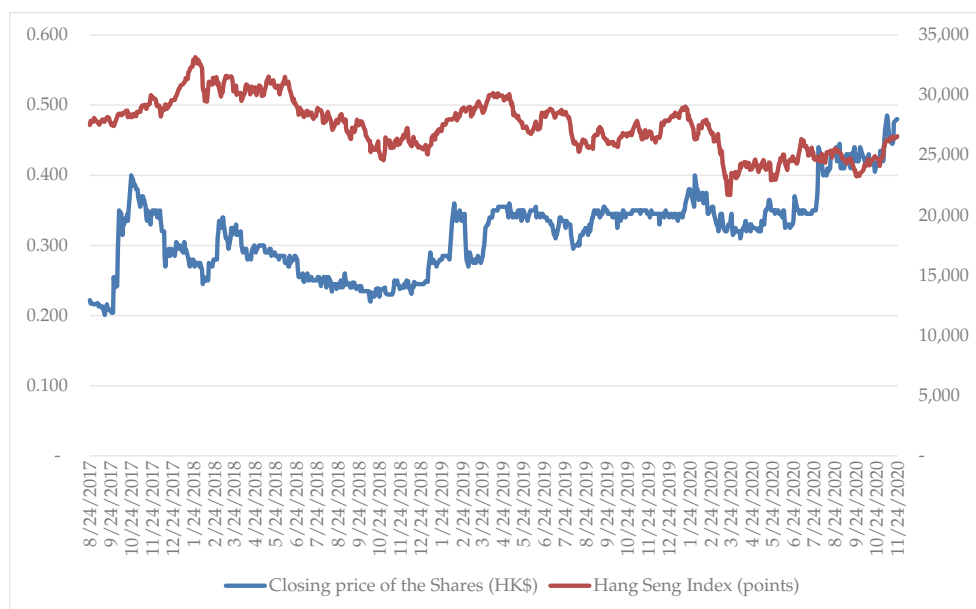
The Subscriber is a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company. It is ultimately owned by a discretionary trust established by Ms. Huang as settlor and protector.

In July 2015, following the acquisition of a majority stake in the Company by the Subscriber, the Subscriber has become a controlling shareholder of the Company (the “**Change in Control**”). The Subscriber was interested in 7,697,492,188 Shares, representing approximately 66.76% of the number of issued Shares as at the Latest Practicable Date. As advised by the Company, the Change in Control has brought apparent benefits to the Group, such as the introduction of new members who are experienced in the real estate market of the PRC to the Group’s management team and the Board, as well as the provision of strong financial support for the growth of the Group. Mr. Zhang, the spouse of Ms. Huang, was appointed as the chairman and the chief executive officer of the Company and an executive Director, while Ms. Huang was appointed as a non-executive Director, in July 2015. Leveraging on the expertise, financial support and networks of the new controlling shareholder of the Company in the PRC, the Group’s business and financial results, as illustrated under the sub-section headed “Review of the Group’s business” of this letter of advice, have witnessed remarkable advancement in recent years.

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Historical Share price movement since the Change in Control

The chart below sets forth the historical Share price movement from 3 August 2015 to 24 November 2020, being the date of the Subscription Agreement (the “**Subscription Date**”) (both dates inclusive) and, as reference, movement of the Hang Seng Index during the said period:



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

We noted from the above chart that the market price of the Shares had been moving between HK\$0.20 and HK\$0.250 per Share since the Change in Control and up to early October 2017, when there was a sudden upsurge in the Share price to above HK\$0.30 per Share. The market price of the Shares stayed at above HK\$0.30 per Share until mid-December 2017. Thereafter, the Share price fluctuated but demonstrated an overall downward moving trend and reached the floor of HK\$0.220 per Share on 11 October 2018. After reaching the floor, the market price of the Shares had been moving persistently upward. From late March 2019 onwards, the Share price had stayed at above HK\$0.30 per Share. Since 31 July 2020, the Share price had further risen to above HK\$0.40 per Share and closed at HK\$0.480 per Share on the Subscription Date.

Overall speaking, we noted that the market price of the Shares has jumped significantly by twofold from around HK\$0.20 to HK\$0.40 per Share following the Change in Control.

Tightened financing and liquidity of the PRC real estate market

Based on our independent research, in 2018, supervision on real estate financing was further strengthened in the PRC. In January 2018, the “Notice of the China Banking Regulatory Commission on Further Deepening and Reconciling the Banking Market” (《中國銀監會關於進一步深化整治銀行業市場亂象的通知》), the “Management Measures for Entrusted Loans of Commercial Banks” (《商業銀行委託貸款管理辦法》) and the “Notice on Regulating the M&A Loan Business” (《關於規範開展並購貸款業務的通知》) were issued. Under the close supervision of the PRC government, small and medium-sized real estate enterprises are further restricted in credit and standardised bond financing. In May 2018, the National Development and Reform Commission (“NDRC”) and the Ministry of Finance jointly issued the “Notice on Perfecting Market Constraint Mechanism Strictly Preventing External Debt Risk and Local Debt Risk” (《關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》), restricting the investment of foreign debt funds of real estate enterprises in domestic and overseas property projects. During the same month, the China Banking Regulatory Commission issued the “Management Measures for Joint Credit Grants of Banking Financial Institutions (Trial)” (《銀行業金融機構聯合授信管理辦法(試行)》) and deployed the pilot work. With the launch of the pilot work, real estate enterprises with large debts, high leverage and insufficient solvency are prohibited in obtaining bank credit. Furthermore, the Ministry of Housing and Urban-Rural Development (“MOHURD”) issued the “Notice on Further Improving the Relevant Issues Concerning the Regulation and Control of the Real Estate Market” (《關於進一步做好房地產市場調控工作有關問題的通知》) in May 2018, reiterating that the objective of real estate regulation and control is unwavering, and curbs land purchase from using borrowed funds.

In 2019, the PRC government’s supervision on real estate financing has not shown any sign of relaxation. In May 2019, the China Banking and Insurance Regulatory Commission issued the “Notice on Launching the Work of Consolidating the Achievements in Rectification of Chaotic Practices and Promoting the Compliance Construction (No. 23 [2019] of the China Banking and Insurance Regulatory Commission)” (《關於開展“鞏固治亂象成果促進合規建設”工作的通知》(銀保監發[2019]23號文)) which restricts commercial banks, trusts, leasing and other financial institutions from conducting any non-compliant real estate financing. Since then, the PRC government has continued to introduce restrictive policies on trust loans, development loans and overseas debts which make the debt financing environment of the real estate industry inactive. In July 2019, NDRC clearly stated that the issue of foreign debt by real estate enterprises can only be applied to replace the mid-term and long-term overseas bonds due within the next year.

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As a result of the aforesaid stringent government control, the cost of debt financing of real estate enterprises in the PRC rose persistently from approximately 6.23% in 2017, to approximately 6.53% in 2018, and to approximately 7.07% in 2019 based on the data released by China Real Estate Information Corp (“CRIC”), a leading reporting and market analysis provider for the real estate industry in the PRC with coverage over 350 cities and 95% clients on the top-100 enterprise list. With reference to a research report titled “2019 年中國房地產總結與展望 | 融資篇” published by CRIC, resulting from the tightened financing policies, real estate enterprises have experienced difficulties in cash flows. Many large scale real estate enterprises have tried to reduce investment and accelerate sales of real estate projects in order to ease their liquidity concern; whilst the real estate enterprises operating in smaller scale would have no choice and face bankruptcy in the worst case scenario.

In 2020, the outbreak of the COVID-19 pandemic poses a new downside risk to the PRC and the global economy. With the impact of the pandemic, for many real estate enterprises, the pressure to deleverage has been accumulating, the sales volume has been recovering slowly, and cash flow has been hampered. A number of real estate enterprises recorded a decrease in profit or even a loss during the first half of 2020. In late August 2020, MOHURD and the People’s Bank of China (“PBOC”) held a meeting with the key real estate enterprises to discuss a long-term mechanism for regulation of the real estate market. After the meeting, MOHURD and PBOC introduced several capital and financing management rules, commonly known as the “three red lines”, to regulate the real estate market, requiring real estate enterprises to maintain (i) a debt-to-asset ratio of less than 70% after exclusion of the deposits received; (ii) a net debt ratio of less than 100%; and (iii) a cash to short-term debt ratio of greater than one.

Reasons for the Subscription

As aforesaid, the Shareholders’ Loan was amounted to RMB2,368 million as at 30 June 2020. As advised by the Directors, the Subscriber and the Company agreed that the entire Shareholders’ Loan shall be capitalised as consideration for the Subscription upon Subscription Completion and it shows the confidence and support of the controlling shareholder towards the long-term development of the Company.

As referred to in the Letter from the Board, the Directors consider that the Subscription would pose an opportunity for the Group to further improve its gearing ratio, enlarge its capital base and enhance its net asset value while maintaining a strong cash position which would allow the Group to grasp opportunities in land acquisitions when they arise. In this relation, we noted that as revealed by our independent research presented under the sub-section headed “Tightened financing and liquidity of the PRC real estate market” of this letter of advice, the PRC government has promulgated a series of restrictive policies to strengthen the supervision on real estate financing since 2018. Resulting from the tightened financing policies, the cost of debt financing of real estate enterprises has been rising persistently since 2018 and many real estate enterprises have

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experienced difficulties in cash flows. Besides, the outbreak of the COVID-19 pandemic has posed a new downside risk to the PRC and the global economy. With the impact of the pandemic, for many real estate enterprises, the pressure to deleverage has been accumulating, the sales volume has been recovering slowly, and cash flow has been hampered.

As stated under the sub-section headed “Review of the Group’s business” of this letter of advice, as at 30 September 2020, the Group had 54 on-going complex property projects and/or sub-phases under development and planning, and will continue to identify new property projects and bid for land use rights of other selective land parcels in the PRC. As further stated under the sub-section headed “The Group’s financial resources and liquidity” of this letter of advice, the Group had cash and cash equivalents, contract liabilities and capital commitments, short-term bank and other borrowings and the Related Loans of approximately RMB2,518.6 million, RMB37,188.0 million, RMB5,814.4 million and RMB10,578.7 million, respectively, as at 30 June 2020. To cope with the aforesaid massive business development plan and future capital requirement amid the relatively insufficient cash on hand and tightened real estate financing policies, we concur with the Directors that the Group should endeavor to maintain a strong cash position so as to ensure capital flexibility for tackling the potential challenges and opportunities when they arise.

The Directors advised us that the Company has considered other fund raising alternatives available to the Group for repayment of the Shareholders’ Loan, such as debt financing, rights issue, open offer and placing. The Company considers that it would be prudent to finance the funding needs of the Group in the form of equity as opposed to debt financing which would result in additional interest burden and increase the Group’s finance costs. At the same time, rights issue or open offer would involve the issue of listing documents with other application and administrative procedures which are relatively more time consuming and less cost effective. Given the current financing costs of the Group of around 10% or above on average for recent facilities granted to the Group in the PRC, we concur with the Directors that debt financing of considerable size for repayment of the Shareholders’ Loan in the amount of RMB2,368 million would result in substantial additional interest burden on the Group, which would be detrimental to the Group especially under the existing tightened financing environment of the real estate market in the PRC. With regard to rights issue and open offer, we have requested the Company to provide us with the estimated transaction costs involved, and compared the same with that of the Subscription. Based on our comparison, rights issue and open offer are relatively less cost effective than the Subscription. On the other hand, we noted that the Company conducted the Placing on the same date as the Subscription Date. The maximum net proceeds from the Placing are estimated to be approximately HK\$698.9 million, and the Company intends to utilise around 90% and 10% of the same for repayment of the bank and other borrowings which are due on or before 31 December 2021 and for general working capital, respectively. The funds to be raised by the Placing are relatively minimal as compared to the Group’s upcoming funding needs as set forth in the foregoing paragraph.

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Taking into account the above reasons for the Subscription, we concur with the Directors that the Subscription together with the proposed issue and allotment of the Subscription Shares under the Specific Mandate are in the interests of the Company and the Shareholders as a whole although they are not conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Subscription Agreement

The below table illustrates the key terms of the Subscription Agreement dated 24 November 2020 as extracted from the Letter from the Board:

Parties:	(1) the Company as issuer; and (2) the Subscriber as subscriber
Number of Subscription Shares:	6,077,716,750 Subscription Shares
Subscription Price:	HK\$0.460 per Subscription Share

The Subscription Price

As confirmed by the Directors, the Subscription Price was arrived at with reference to the market price of the Shares under the prevailing market conditions, performance and financial position of the Group and was negotiated on an arm's length basis between the Company and the Subscriber. The Subscription Price is the same as the Placing Price.

Review on the prevailing closing prices of the Shares

The Subscription Price of HK\$0.460 per Subscription Share represents:

- (i) a discount of approximately 1.08% to the closing price of approximately HK\$0.465 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.17% to the closing price of approximately HK\$0.480 per Share as quoted on the Stock Exchange on the Subscription Date;
- (iii) a discount of approximately 0.65% to the average closing price of approximately HK\$0.463 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Subscription Date;

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- (iv) a premium of approximately 5.26% over the average closing price of approximately HK\$0.437 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the Subscription Date; and
- (v) a premium of approximately 10.05% over the average closing price of approximately HK\$0.418 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to the Subscription Date.

Referring to the sub-section headed “Historical Share price movement since the Change in Control” of this letter of advice, after reaching the floor of HK\$0.220 per Share on 11 October 2018, the market price of the Shares had been moving persistently upward. From late March 2019 onwards, the Share price had stayed at above HK\$0.30 per Share. Since 31 July 2020, the Share price had further risen to above HK\$0.40 per Share and closed at HK\$0.480 per Share on the Subscription Date. As highlighted above, the Subscription Price is close to the prevailing market Share price. Moreover, based on our further review, the Subscription Price is above the closing price of the Shares on a majority of the trading days in 2020 up to the Subscription Date (i.e. 215 trading days out of the total 222 trading days).

Comparison with recent connected subscription transactions

As part of our analyses, we have also identified, on a non-exclusive basis, transactions in relation to the subscription of new shares by connected persons (excluding issues under share award or restructuring scheme or for emolument or acquisition purposes, the “**Comparables**”) conducted by companies listed on the Stock Exchange during the period from 1 June 2020 to the Subscription Date. To the best of our knowledge and as far as we are aware of, we found nine transactions which met the said criteria. We consider that the Comparables can provide a fair and representative reference of the recent (i.e. within six months before the Subscription Date) market practices in relation to subscription of new shares by connected persons conducted by companies listed on the Stock Exchange. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables.

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Summarised below is our relevant finding:

Date of announcement	Company name (stock code)	Premium/ (Discount) over/of the subscription price to closing price per share on the last trading day prior to/on the date of the respective subscription announcement
11 September 2020	Amber Hill Financial Holdings Limited (33)	(23.66)%
10 September 2020	Powerlong Commercial Management Holdings Limited (9909)	0%
8 September 2020	Koolearn Technology Holding Limited (1797)	(7.3)%
7 September 2020	Yunfeng Financial Group Limited (376)	(5.93)%
2 September 2020	China Uptown Group Company Limited (2330)	47.1%
24 July 2020	Aceso Life Science Group Limited (formerly known as Hao Tian Development Group Limited) (474)	(13.79)%
13 July 2020	51 Credit Card Inc. (2051)	(24.05)%
6 July 2020	China Jinmao Holdings Group Limited (817)	(6.56)%
3 July 2020	China Technology Industry Group Limited (8111)	58.73%

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

As shown by the above table, the subscription prices of the Comparables ranged from discount of approximately 24.05% to premium of approximately 58.73%, with a median discount of approximately 6.56%, to/over the closing price of their shares on the last trading day prior to/on the date of the respective subscription announcement. The discount of approximately 4.17% to the closing price of the Shares on the Subscription Date as represented by the Subscription Price is hence more favourable than the general market practice.

LETTER FROM VBG CAPITAL

In light of that (i) the Subscription Price is close to the prevailing market Share price and above the closing price of the Shares on a majority of the trading days in 2020 up to the Subscription Date; (ii) as shown by the market comparison above, the Subscription Price is more favourable than the general market practice; and (iii) the Subscription Price is the same as the Placing Price offered to the Placee(s) who is/are independent third parties, we consider that the Subscription Price is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

3. Potential dilution effect of the Subscription

The below table demonstrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Subscription Completion (assuming that the Placing Shares are placed in full and no further Shares have been issued or repurchased before the Subscription Completion Date save for the Placing Shares):

	As at the Latest Practicable Date		Immediately upon Subscription Completion (assuming that the Placing Shares are placed in full and no further Shares have been issued or repurchased before the Subscription Completion Date save for the Placing Shares)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Subscriber	7,697,492,188	66.76	13,775,208,938	71.99
The Placee(s)	–	–	1,526,090,000	7.98
Other public Shareholders	<u>3,832,567,760</u>	<u>33.24</u>	<u>3,832,567,760</u>	<u>20.03</u>
Total	<u>11,530,059,948</u>	<u>100</u>	<u>19,133,866,698</u>	<u>100</u>

As demonstrated by the above table, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 33.24%. Assuming that the Placing Shares are placed in full and no further Shares have been issued or repurchased before the Subscription Completion Date save for the Placing Shares, the shareholding of the existing public Shareholders will be diluted from approximately 33.24% to 20.03% immediately upon Subscription Completion.

LETTER FROM VBG CAPITAL

It is noted that such dilution is disadvantageous to the existing public Shareholders. Nevertheless, the Subscription can allow the Group to further improve its gearing ratio while maintaining a strong cash position, and this is of particular importance under the existing tightened financing environment of the real estate market in the PRC and during the post COVID-19 recovery period. Furthermore, the Subscription, as compared to the other debt and equity financing alternatives available to the Group, is relatively more cost effective. It is expected that the Subscription could enlarge the capital base for business development and enhance the net asset position of the Company.

Besides, the Subscription shows the confidence and support of the controlling shareholder towards the long-term development of the Company. In this regard, based on our review and study, by means of, for example the Guarantees for the Senior Notes totalling US\$540 million, the unsecured and interest-free Related Loans of approximately RMB10,578.7 million and the unsecured and interest-free Shareholders' Loan of RMB2,368 million, Ms. Huang and Mr. Zhang have been providing strong financial support for the growth of the Group. In addition, since the Change in Control, the Group's business and financial results have witnessed remarkable advancement, and the market price of the Shares has jumped significantly by twofold. With the above being the case, the Subscription which shows the confidence and continual support of the controlling shareholder is likely to be beneficial to the Company and the Shareholders as a whole.

We are of the opinion that as balanced by all of the factors as aforementioned, the dilution to the shareholding of the existing Shareholders resulting from the Subscription is acceptable.

4. Possible financial effects of the Subscription

The Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will enlarge the capital base and enhance the net asset position of the Company. Moreover, as extracted from the 2020 Interim Report, the gearing ratio of the Group (defined as the ratio of total borrowings less aggregate of cash and cash equivalents, restricted bank balances and pledged deposits to total equity) was approximately 42.5% as at 30 June 2020. As part of the Group's total borrowings would be capitalised as consideration for the Subscription upon Subscription Completion whilst the total equity of the Group would be enlarged upon Subscription Completion, it is expected that Subscription would reduce the gearing ratio of the Group.

It should be noted that the above analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Subscription Completion.

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 Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription together with the proposed issue and allotment of the Subscription Shares under the Specific Mandate are in the interests of the Company and the Shareholders as a whole although they are not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription, and we recommend the Independent Shareholders to vote in favour of the resolution 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 (the 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 a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. 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 (<i>Note 2</i>)	Interest of controlled corporation (<i>Note 1</i>)	100	100
Ms. Huang	Zensun Group Limited (<i>Note 2</i>)	Interest of controlled corporation (<i>Note 1</i>)	1	100
Ms. Huang	Joy Town Inc. (<i>Note 2</i>)	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 a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. 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” in this appendix, 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 a management and sales services framework agreement (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 Vistra Trust (Singapore) Pte Limited as trustee 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.

On 21 October 2020, the Group entered into a master services agreement (the “**2021 Master Services Agreement**”) with Henan Zensun Corporate Development Group Limited* (河南正商企業發展集團有限責任公司) (“**Zensun Development**”) pursuant to which Zensun Development would provide construction, engineering and related services to the Group for a term commencing from 1 January 2021 up to and including 31 December 2023.

As Zensun Development a majority-controlled company indirectly held by Ms. Zhang Huiqi and Ms. Zhang Huiqi is the daughter of Mr. Zhang and Ms. Huang, both Ms. Huang and Mr. Zhang are considered to have a material interest in the 2021 Master Services Agreement.

Save for the above, 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 a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. 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**”). 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:

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

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

As at the Latest Practicable Date, VBG Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 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 Latest Practicable Date, up to and including the date of the EGM.

- (a) the Subscription Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 14 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 15 to 31 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 Thursday, 24 December 2020 at 10 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 subscription agreement dated 24 November 2020 entered into between the Company as issuer and Joy Town Inc. as subscriber in respect of the subscription of 6,077,716,750 shares of the Company (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) (the “**Subscription Agreement**”) and the transactions contemplated thereunder (the “**Subscription**”), be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraph (a) above;
- (c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the Subscription Shares (as defined in the Subscription Agreement) to be allotted and issued pursuant to the terms and conditions of the Subscription Agreement, the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue 6,077,716,750 ordinary shares in the share capital of the Company, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 9 June 2020 and the general mandate contained in ordinary resolution 5 of the annual general meeting; and

NOTICE OF EGM

- (d) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to transactions mentioned in paragraph (c) above.”

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

Hong Kong, 8 December 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 a.m. on Tuesday, 22 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 Monday, 21 December 2020 to Thursday, 24 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 Friday, 18 December 2020.
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.

NOTICE OF EGM

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.