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Xingye Wulian Service Group Co. Ltd.
興業物聯服務集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 9916)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT

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



MAJOR AND CONTINUING CONNECTED TRANSACTIONS

References are made to the Acquisition Announcement of the Company dated 5 July 2023 in relation to the proposed acquisition of the entire share capital of the Target Company, which is subject to the approval by the Independent Shareholders at the EGM. Upon completion of the acquisition of the Target Company, the Target Company will become a wholly-owned subsidiary of the Group.

On 5 July 2023, the Company entered into the Master Construction Framework Agreement with Zensun Development, pursuant to which the Group has conditionally engaged Zensun Development Group as its service provider for the provision of the Construction Services from time to time for the period commencing from the Effective Date and ending on 31 December 2025 subject to the Annual Caps as set out in this announcement.

The Master Construction Framework Agreement is conditional upon approval by the Independent Shareholders at the EGM having been obtained with respect to (i) the proposed acquisition of the Target Company, and (ii) the Master Construction Framework Agreement, the Transactions contemplated thereunder and the Annual Caps.

LISTING RULES IMPLICATIONS

Ms. Zhang is our non-executive Director and one of our controlling shareholders and therefore is a connected person of the Company. As at the date of this announcement, Zensun Development is a 30%-controlled company held indirectly by Ms. Zhang. Accordingly, Zensun Development Group is an associate of Ms. Zhang and a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Given that one or more of the applicable percentage ratios based on the Annual Caps in relation to the Master Construction Framework Agreement exceed 25% and the Annual Caps exceed HK\$10,000,000, the Master Construction Framework Agreement, the Transactions and the Annual Caps constitute a major transaction of the Company under Chapter 14 of the Listing Rules and continuing connected transactions of the Company, and are subject to reporting, compliance with the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps.

An Independent Board Committee has been established to consider the Master Construction Framework Agreement, the Transactions and the Annual Caps and to advise the Independent Shareholders on whether or not the Master Construction Framework Agreement, the Transactions and the Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (a) details of the Master Construction Framework Agreement, the Transactions and the Annual Caps; (b) a letter of advice from VBG Capital to the Independent Board Committee and the Independent Shareholders in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps; (c) a letter of recommendation from the Independent Board Committee in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps; and (d) a notice of the EGM, will be despatched to the Shareholders on or before 26 July 2023.

INTRODUCTION

References are made to the Acquisition Announcement of the Company dated 5 July 2023 in relation to the proposed acquisition of the entire share capital of the Target Company, which is subject to the approval by the Independent Shareholders at the EGM. Upon completion of the acquisition of the Target Company, the Target Company will become a wholly-owned subsidiary of the Group.

On 5 July 2023, the Company entered into the Master Construction Framework Agreement with Zensun Development, pursuant to which the Group has conditionally engaged Zensun Development Group as its service provider for the provision of the Construction Services from time to time for the period commencing from the Effective Date and ending on 31 December 2025 subject to the Annual Caps as set out in this announcement.

The principal terms of the Master Construction Framework Agreement are set out below.

PRINCIPAL TERMS OF THE MASTER CONSTRUCTION FRAMEWORK AGREEMENT

Date: 5 July 2023

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

Term: The Master Construction Framework Agreement shall commence on the date on which all conditions precedent set out in the Master Construction Framework Agreement are fulfilled. The term of the Master Construction Framework Agreement shall commence from the Effective Date and shall continue up to and including 31 December 2025, unless terminated earlier in accordance with the terms of the Master Construction Framework Agreement

Condition Precedent: The Master Construction Framework Agreement is conditional upon approval by the Independent Shareholders at the EGM having been obtained with respect to (i) the proposed acquisition of the Target Company, and (ii) the Master Construction Framework Agreement, the Transactions contemplated thereunder and the Annual Caps

Subject matter:

Pursuant to the Master Construction Framework Agreement, the Group shall conditionally appoint Zensun Development Group as its service provider to provide the Construction Services to the Group during the Term. Relevant members of the Group may from time to time enter into individual agreement(s) with relevant members of Zensun Development Group in relation to the provision of the Construction Services during the Term. The individual agreements shall be on the basis of the service plans prepared by the Group and confirmed by both the Group and Zensun Development Group, and the terms of the individual agreement(s) shall be subject to the terms and conditions of the Master Construction Framework Agreement. All transactions under the existing agreements between the relevant members of the Group and the relevant members of Zensun Development Group in respect of the Construction Services to be rendered after the date of the Master Construction Framework Agreement will be governed by the Master Construction Framework Agreement as from the Effective Date and subject to the Annual Caps

Services to be provided:

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

Pricing policy:

For contracts in relation to procurement of Construction Services with contract sum of RMB2.0 million or above, the Group shall issue tender invitations to at least three construction contractors on the list of authorised contractors (including Independent Third Parties and Zensun Development Group) maintained by the Group with the required qualifications and capability to undertake construction projects as well as good reputation and credibility.

For contracts in relation to procurement of Construction Services with contract sum of less than RMB2.0 million, the Group shall obtain quotations from at least three organisations with the required qualifications and capability as well as good reputation and credibility.

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

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

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

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

Annual Caps: Under the Master Construction Framework Agreement, the Annual Caps are as follows:

	For the period from the Effective Date to 31 December 2023	For the year ending 31 December	
	2023	2024	2025
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual Cap	36.8	212.6	244.5

Each of the Annual caps under the Master Construction Framework Agreement has been determined with reference to:

- (a) the total contract sum in relation to the Property Project that have been awarded to Zensun Development Group by the Target Company amounted to approximately RMB4.2 million, RMB39.9 million and RMB1.0 million for the two years ended 31 December 2022 and the four months ended 30 April 2023, respectively;
- (b) the estimated total contract sum in relation to the Property Project that may be awarded to Zensun Development Group by the Target Company amounted to approximately RMB35.0 million, RMB150.0 million and RMB154.2 million for the period from the Effective Date to 31 December 2023 and for the two years ending 31 December 2025, respectively;
- (c) the estimated demand from the Group for Construction Services to be provided by Zensun Development Group for the three years ending 31 December 2025, taking into account the existing and potential contracts of the Group; and
- (d) an additional 5% buffer on the estimated total contract sum as possible variance of the costs arising from inflation in respect of the Construction Services.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

As mentioned in the Acquisition Announcement, the Target Company has entered into a construction contract with Zhengyang Construction, a direct wholly-owned subsidiary of Zensun Development, pursuant to which the Company agreed to engage Zhengyang Construction as the contractor for the provision of design and construction services for the Property Project which is under development. Zhengyang Construction engages in, among others, construction and renovation works in the PRC.

Zensun Development Group possesses various required certifications, qualifications and registrations with abundant experience in carrying out the Construction Services in the PRC, which includes special-grade qualification for construction main contractor* (建築工程施工總承包特級資質), which is the highest construction qualification in the scope of construction main contractor recognised by the relevant government bureaux and enables Zensun Development Group to take up large-scale non-municipal engineering construction projects without restrictions.

Taking into account Zensun Development Group's experience and reputation in property development and construction and its track record in providing Construction Services, particularly its reliability in delivering completed properties in a timely manner and its ability to select appropriate sub-contractors and manage them effectively, the Directors (excluding the independent non-executive Directors forming the Independent Board Committee whose view will be given after considering the advice of the Independent Financial Adviser, and Ms. Zhang who has abstained from voting in this regard) are of the opinion that the terms of the Master Construction Framework Agreement, the Transactions and the Annual Caps are (i) on normal commercial terms and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Zensun Development is a 30%-controlled company held indirectly by Ms. Zhang. Therefore, Ms. Zhang, a non-executive Director of the Company, is considered to have material interests in the Master Construction Framework Agreement, the Transactions and the Annual Caps. As a result, Ms. Zhang had abstained from voting on the Board resolutions of the Company to approve the Master Construction Framework Agreement, the Transactions and the Annual Caps. Save for the aforementioned, no other Director has a material interest in the Master Construction Framework Agreement and therefore is required to abstain from voting on the Board resolutions of the Company to approve any of the same.

INFORMATION OF THE GROUP AND ZENSUN DEVELOPMENT GROUP

The Group is principally engaged in property management and value-added services and property engineering services.

To the best of the Directors' knowledge, the principal business of Zensun Development Group includes provision of construction services and investment holdings in the PRC.

LISTING RULES IMPLICATIONS

Ms. Zhang is our non-executive Director and one of our controlling shareholders and therefore is a connected person of the Company. As at the date of this announcement, Zensun Development is a 30%-controlled company held indirectly by Ms. Zhang. Accordingly, Zensun Development Group is an associate of Ms. Zhang and a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Given that one or more of the applicable percentage ratios based on the Annual Caps in relation to the Master Construction Framework Agreement exceed 25% and the Annual Caps exceed HK\$10,000,000, the Master Construction Framework Agreement, the Transactions and the Annual Caps constitute a major transaction of the Company under Chapter 14 of the Listing Rules and continuing connected transactions of the Company, and are subject to reporting, compliance with the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps.

Foison Amber Development Limited, being the controlling shareholder and an associate of Ms. Zhang, holding 226,350,000 shares, representing approximately 56.59% of the entire issued share capital, of the Company as at the date of this announcement, shall have a material interest in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps and shall be required to abstain from voting on the resolution of the Company in approving the Master Construction Framework Agreement, the Transactions and the Annual Caps at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Master Construction Framework Agreement, the Transactions and the Annual Caps and is required to abstain from voting on the resolution of the Company in approving any of the Master Construction Framework Agreement, the Transactions and the Annual Caps at the EGM.

An Independent Board Committee has been established to consider the Master Construction Framework Agreement, the Transactions and the Annual Caps and to advise the Independent Shareholders on whether or not the Master Construction Framework Agreement, the Transactions and the Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (a) details of the Master Construction Framework Agreement, the Transactions and the Annual Caps; (b) a letter of advice from VBG Capital to the Independent Board Committee and the Independent Shareholders in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps; (c) a letter of recommendation from the Independent Board Committee in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps; and (d) a notice of the EGM, will be despatched to the Shareholders on or before 26 July 2023.

SUBSISTING TRANSACTIONS OF THE TARGET COMPANY RELATING TO THE PROPERTY PROJECT

As mentioned in the Acquisition Announcement, prior to the completion of the acquisition of the Target Company, the Target Company has entered into a construction contract with Zhengyang Construction, pursuant to which the Target Company agreed to engage Zhengyang Construction as the contractor for the provision of design and construction services for the Property Project.

Consequently, upon the completion of the acquisition of the Target Company, the continuing transaction under the construction contract constitute a major transaction of the Company under Chapter 14 of the Listing Rules and continuing connected transactions of the Company under Chapter 14A of the Listing Rules by virtue of the Target Company becoming a wholly-owned subsidiary of the Company.

Pursuant to Rule 14A.60 of the Listing Rules, the principal terms of the subsisting construction contract are set out as follows:

Parties:	(1) Target Company, as the principal; and (2) Zhengyang Construction, as the contractor.
Scope of services:	Zhenyang Construction is responsible for the design and construction services for the Property Project located at East Ruyi Road West and South Ruyi River West 1st Street, Zhengzhou City, Henan Province
Commencement of the design phase:	October 2019
Commencement of the construction phase:	June 2022
Expected Actual Completion Date:	31 December 2025

DEFINITIONS

“Acquisition Announcement”	The announcement of the Company dated 5 July 2023 in relation to the proposed acquisition of the Target Company
“Annual Caps”	the maximum annual transaction amounts payable by the Group to Zensun Development Group for the Construction Services for the period from the Effective Date to 31 December 2023 and each of the two years ending 31 December 2025
“Assessment Committee”	the assessment committee formed by the Company for the purpose of reviewing the tenders and quotations of the Construction Services
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Xingye Wulian Service Group Co. Ltd. (興業物聯服務集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (stock code: 9916)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Services”	the provision of construction, engineering and related services by Zensun Development Group to the Group, details of which are set out under sub-paragraph headed “Services to be provided” under the paragraph headed “Principal Terms of the Master Construction Framework Agreement” in this announcement
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which all conditions precedent set out in the Master Construction Framework Agreement, which are set out in the sub-paragraph headed “Condition Precedent” under the paragraph headed “Principal Terms of the Master Construction Framework Agreement” in this announcement, are fulfilled
“EGM”	an extraordinary general meeting of the Company to be held for the purposes of considering and, if thought fit, approving the Master Construction Framework Agreement, the Transactions and the Annual Caps
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Xu Chun, Mr. Feng Zhidong and Mr. Zhou Sheng formed to advise the Independent Shareholders in relation to the Master Construction Framework Agreement, the Transactions and the Annual Caps
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited (建泉融資有限公司), a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Construction Framework Agreement, the Transactions and the Annual Caps

“Independent Shareholders”	Shareholder(s) other than Foison Amber Development Limited
“Independent Third Party(ies)”	a person(s) or company(ies) who/which is or are independent of and not connected with the Company and connected persons of the Company
“Individual Agreement(s)”	individual agreements which may be entered into between any member(s) of the Group and any member(s) of the Zensun Development from time to time in relation to the provisions of the Construction Services at any time during the Term and pursuant to the Master Construction Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Construction Framework Agreement”	the agreement entered into between the Company and Zensun Development on 5 July 2023 in relation to the provision of the Construction Services by Zensun Development Group to the Group
“Ms. Zhang”	Ms. Zhang Huiqi, a non-executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Project”	the property development project undertaken by the Target Company in Zhengzhou City, Henan Province, PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Henan Zheng Zhi Yue Real Estate. Co., Ltd* (河南正之悦置業有限公司), a company incorporated in the PRC with limited liability owned as to 100% by Zensun Real Estate. Co., Ltd.* (河南正商置業有限公司), a limited liability company established under the laws of the PRC as at the date hereof
“Transactions”	the transactions contemplated under the Master Construction Framework Agreement

“Term”	has the meaning as set out in the sub-paragraph headed “Term” under the paragraph headed “Principal Terms of the Master Construction Framework Agreement” in this announcement
“Zensun Development”	Henan Zensun Enterprise Development Group Co., Ltd.* (河南正商企業發展集團有限責任公司) (formerly known as Henan Zensun Enterprise Development Co., Ltd.* (河南正商企業發展有限責任公司)), a company established in the PRC with limited liability
“Zensun Development Group”	Zensun Development and its subsidiaries
“Zhengyang Construction”	Henan Zhengyang Construction Engineering Group Co., Ltd.* (河南正陽建設工程集團有限公司), a limited liability company established under the laws of the PRC and is indirectly non-wholly owned by Ms. Zhang

* For identification purposes only

By Order of the Board
Xingye Wulian Service Group Co. Ltd.
Qiu Ming
Chairman and Chief Executive Officer

Hong Kong, 5 July 2023

As at the date of this announcement, the Board comprises Mr. Qiu Ming as the executive Director; Ms. Zhang Huiqi, Mr. Wang Jinhua and Mr. Liu Zhenqiang as non-executive Directors and Mr. Xu Chun, Mr. Feng Zhidong and Mr. Zhou Sheng as independent non-executive Directors.