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三盛控股

Sansheng Holdings (Group) Co. Ltd.

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三盛控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2183)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF A PROPERTY GROUP
AND
CONNECTED TRANSACTION IN RELATION TO
THE FINANCIAL ASSISTANCE**

THE AGREEMENT

On 24 August 2020 (after trading hours of the Stock Exchange), the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Agreement to conditionally acquire from Mega Regal (being the Controlling Shareholder interested in approximately 72.17% of the issued share capital of the Company) the entire equity interest in the Target for a consideration of HK\$347,349,600, which is to be settled by way of issue and allotment of 49,480,000 new Shares at an issue price of HK\$7.02 per Share (i.e. the Consideration Shares).

The Consideration Shares represent approximately 11.22% of the issued share capital of the Company as at the date of this announcement and approximately 10.09% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Upon Completion, Mega Regal will be interested in approximately 74.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Upon completion of the Reorganisation, the Target will indirectly hold 95% equity interest in Fuzhou Bosheng, the principal assets of which are the Target Properties. As at 30 June 2020, the market value of the Target Properties was approximately RMB10,149.7 million, of which 95% is attributable to the Target.

THE LOAN AGREEMENT

Prior to entering into of the Agreement, certain private entities controlled by Mr. Lin had provided loan facilities to two Project Companies, which in return had provided the Pledged Properties and the Share Pledge as security for such private entities controlled by Mr. Lin to obtain loan facilities from financial institutions in the PRC as a way of financing the development of the property projects of Mr. Lin's private group.

To this end, being part and parcel of the Acquisition, on 24 August 2020, Mr. Lin and Fuzhou Sansheng entered into the Loan Agreement with Fuzhou Bosheng, pursuant to which Fuzhou Sansheng agreed to provide funding to Fuzhou Bosheng Group comprising (i) a RMB650 million non-interest-bearing loan to Fuzhou Bosheng Group in return for the Pledged Properties and the Share Pledge provided by Fuzhou Bosheng Group as security for loans obtained by private entities controlled by Mr. Lin from financial institutions in the PRC (i.e. the Loan and Pledge Arrangement); and (ii) an unsecured loan to be provided by Fuzhou Sansheng to Fuzhou Bosheng Group on normal commercial terms in such amount necessary for the development of the Target Properties of the Project Companies. The market value of the Pledged Properties as at 30 June 2020 was approximately RMB1,000.3 million. The Loan Agreement will be effective from the Completion Date to 31 October 2021, subject to the conditions detailed below.

As part of the Loan and Pledge Arrangement under the Loan Agreement, Mr. Lin will fully indemnify Fuzhou Bosheng against any damage, loss or diminution in value of the Pledged Properties and the Share Pledge as a result of breach of repayment obligations in relation to loan facilities secured by the Pledged Properties and the Share Pledge under the Loan and Pledge Arrangement, by way of cash or by offsetting the outstanding loans owed by Fuzhou Bosheng to Mr. Lin's controlled entities or a combination of both.

The Loan Agreement will become effective upon (i) obtaining of the Independent Shareholders' approval at the EGM for the resolution relating to the transactions contemplated under the Loan Agreement; and (ii) fulfilment of all conditions precedent of the Agreement (other than the one relating to the completion of the Loan Agreement).

The Agreement and the Loan Agreement are inter-conditional and completion of the Agreement and the Loan Agreement shall take place simultaneously.

LISTING RULES IMPLICATIONS

As certain percentage ratios (defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 25% but under 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. In addition, as the Vendor and Mr. Lin are connected persons of the Company, the Acquisition would also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

Upon Completion, Fuzhou Bosheng will become an indirect non-wholly-owned subsidiary of the Company and the Loan and Pledge Arrangement (including the indemnity to be provided by Mr. Lin) would therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. The unsecured loan to be provided by Fuzhou Sansheng on normal commercial terms subsequent to Completion under the Loan Agreement will be exempted under Rule 14A.90 of the Listing Rules. Accordingly, the Acquisition as aggregated with the Loan and Pledge Arrangement would constitute a major and connected transaction of the Company under the Listing Rules and are subject to reporting, announcement and Shareholders' approval requirements under the Listing Rules.

The Consideration Shares will be issued under specific mandate to be sought from the Independent Shareholders at the EGM.

GENERAL

The EGM will be convened and held to consider and, if thought fit, approve the resolutions in respect of the Agreement, the Loan Agreement and the transactions contemplated thereunder. Mr. Lin (being the Chairman of the Board and an executive Director) and Ms. Cheng (being an executive Director and the spouse of Mr. Lin) had abstained from voting on the Board's resolutions approving the Agreement, the Loan Agreement and the transactions contemplated thereunder in light of their material interests in the Acquisition and the Financial Assistance. Mega Regal will also abstain from voting on the resolutions approving the Agreement, the Loan Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) details of the Agreement; (ii) details of the Loan Agreement; (iii) letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) financial information of the Group; (vi) financial information of the Target Group; (vii) unaudited pro forma financial information of the Group assuming Completion; (viii) valuation report of the Target Properties; (ix) notice convening the EGM; and (x) other information as required under the Listing Rules, is expected to be despatched on or before 25 September 2020 after taking into account the estimated time required for the Company to prepare relevant information for inclusion in the circular.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Agreement, the Loan Agreement and the transactions contemplated thereunder. In this connection, Altus Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement, the Loan Agreement and the transactions contemplated thereunder.

As Completion is subject to fulfilment of the conditions precedent to the Agreement and the Loan Agreement, the Acquisition and the Financial Assistance may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

INTRODUCTION

On 24 August 2020 (after trading hours of the Stock Exchange), the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Agreement to conditionally acquire from Mega Regal (being the Controlling Shareholder holding approximately 72.17% of the total issued share capital of the Company) the entire equity interest in the Target for a consideration of HK\$347,349,600, which is to be settled by way of issue and allotment of 49,480,000 new Shares at an issue price of HK\$7.02 per Share (i.e. the Consideration Shares).

Being part and parcel of the Acquisition on 24 August 2020, Fuzhou Bosheng (being held as to 95% by the Target upon completion of the Reorganisation) entered into the Loan Agreement with Mr. Lin and Fuzhou Sansheng by which Fuzhou Sansheng, subject to conditions detailed below will provide (i) a loan of RMB650 million to Fuzhou Bosheng Group, which in return will provide the Pledged Properties and the Share Pledge as security for the loan facilities obtained by such private entities controlled by Mr. Lin (i.e. the Loan and Pledge Arrangement); and (ii) an unsecured loan to Fuzhou Bosheng Group in such amount necessary for the development of the Target Properties on normal commercial terms. The Loan Agreement will be effective from the Completion Date to 31 October 2021, subject to the conditions detailed below.

Details of the Agreement and the Loan Agreement are also set out in the following sections.

THE AGREEMENT

Date:

24 August 2020 (after trading hours of the Stock Exchange)

Parties:

Purchaser : Total Prestige Holdings limited (全耀控股有限公司), a direct wholly-owned subsidiary of the Company

Vendor : Mega Regal

Mega Regal is the controlling Shareholder holding 318,348,127 Shares (representing approximately 72.17% of the issued share capital of the Company) as at the date of this announcement, and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Mega Regal was incorporated in the BVI with limited liability and principally engaged in investment holding. The ultimate beneficial owner of Mega Regal is Mr. Lin, the Chairman of the Board and an executive Director.

Subject Matter

The Sale Shares represent the entire issued share capital of the Target. Upon completion of the Reorganisation, the Target will be indirectly interested in 95% equity interest in Fuzhou Bosheng, principal assets of which are its interests in nine Project Companies, which in turn hold the Target Properties.

Further information on the Project Companies is set out in the section headed “Information on the Target Group – Information of the Project Companies” below.

Consideration

The Consideration of HK\$347,349,600 (equivalent to approximately RMB310.1 million) shall be payable to Mega Regal by way of issue and allotment of the Consideration Shares, being 49,480,000 new Shares at the issue price of HK\$7.02 per Share, by the Company on Completion Date.

The Consideration was determined based on negotiation between the parties to the Agreement having considered that (i) the consolidated net asset value of the Target will turn to minimal level upon completion of the Reorganisation; (ii) the valuation surplus of the Target Properties attributable to the Target (as per its 95% equity interest in Fuzhou Bosheng upon completion of the Reorganisation) of approximately RMB958.9 million as at 30 June 2020 (the “**Target Valuation Surplus**” in substance the subject matter of the Acquisition); (iii) the valuation surplus attributable to the Pledged Properties (as per Target’s 95% equity interest in Fuzhou Bosheng upon completion of the Reorganisation) of approximately RMB21.3 million as at 30 June 2020 (the “**Pledged Valuation Surplus**”); and (iv) the Consideration represented a discount of approximately 67.7% to the Target Valuation Surplus and a discount of approximately 66.9% to the Target Valuation Surplus excluding the Pledged Valuation Surplus.

In view of the significant discounts represented by the Consideration to the Target Valuation Surplus (being the subject matter of the Acquisition given the net asset value of the Target will turn to minimal level at Completion), the Board considers that the Consideration is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The Consideration Shares

The 49,480,000 Consideration Shares represented:

- (i) approximately 11.22% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 10.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the outstanding Shares in issue on the date of the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued under specific mandate to be sought from the Independent Shareholders at the EGM. Application for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Agreement will be made by the Company to the Stock Exchange.

The Issue Price

The issue price of HK\$7.02 per Share represented:

- (i) a premium over approximately 1.59% to the closing price of HK\$6.91 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a premium over approximately 0.34% to the average closing price of approximately HK\$6.996 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement.

The issue price was determined after negotiations between the Purchaser and Mega Regal, with reference to the recent price performance of the Shares and current market conditions.

Conditions Precedent

Completion is subject to the fulfilment of the following conditions:

- (i) the Company having obtained the Independent Shareholders' approval of the Agreement (including the issue of the Consideration Shares), the Loan Agreement and the transactions contemplated thereunder in the manner required by the Listing Rules;
- (ii) the Company, the Purchaser and the Vendor each having obtained all requisite consents, authorisations and approvals in connection with the entering into and performance of the terms of the Agreement;
- (iii) the Purchaser having obtained a PRC legal opinion issued by a PRC legal counsel acceptable to the Purchaser in the form and substance satisfactory to the Purchaser in relation to, inter alia, due incorporation, valid existence, legality and regulatory compliance (including having obtained the relevant approvals, permits and licenses with respect to operations) of the members of the Target Group established in the PRC (including the Project Companies) and beneficial ownership of the Target Properties;
- (iv) the Company having obtained approval from the Stock Exchange for the listing of and permission to deal in the Consideration Shares;

- (v) the allotment and issuance of the Consideration Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Agreement by any legislative, executive or regulatory body or authority of the Cayman Islands or Hong Kong;
- (vi) completion of the Reorganisation, in form and substance satisfactory to the Purchaser and its PRC legal counsel;
- (vii) all of the warranties and representations contained in the Agreement being true, correct, complete, accurate and not misleading in all material respects at Completion, as if repeated at Completion and all undertakings contained herein, to the extent being capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects;
- (viii) no material adverse change having occurred in relation to the Target Group between the date of the Agreement and the Completion Date;
- (ix) the Purchaser, the Vendor and the Company having complied with the Listing Rules in all respects in connection with the Acquisition;
- (x) the Purchaser being satisfied with the results of the legal, financial and business aspects due diligence review of the Target Group, including having obtained sufficient evidence showing good title of the Target Properties pursuant to relevant PRC laws and regulations;
- (xi) the Purchaser having satisfied that the Vendor and each of the member of the Target Group is duly incorporated, validly existing, of good standing and has due capacity and authority to enter into each of the Agreement and the agreements to the Reorganisation to which it is a party, and that the shareholding structure of the Target Group pursuant to the Agreement is true, correct, accurate, complete, legal and valid; and
- (xii) the Loan Agreement having become unconditional in all respects (other than the one relating to the Agreement having become unconditional).

None of the conditions is capable of being waived by the Purchaser or the Vendor.

If the conditions above have not been fulfilled within six (6) months from the date of the Agreement (or such other date as the parties may agree), the Agreement shall terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Agreement.

Indemnity provided by Mega Regal

Pursuant to the Agreement, Mega Regal (as Vendor) will indemnify the Purchaser for any damage or loss arising from among others, (i) any breach of terms, conditions, warranties, representations or undertakings provided by Mega Regal in the Agreement (including the Target having good title to the Target Properties); and (ii) any non-compliance with applicable laws, rules or regulations by each member of the Target Group on or before Completion Date.

As advised by the PRC legal counsel engaged by the Company, the members of the Target Group established in the PRC (including the Project Companies) are in compliance, in all material respect, with the laws and regulations applicable to them, save for three non-compliance incidents involving: (i) in-complete payment of social insurance and housing provident fund contribution; (ii) non-registration of lease agreements of certain Project Companies; and (iii) delay in completion of a property project on one of the land owned by Jiangsu Zheguang, one of the Project Companies as required by land resources department of the PRC. As at 31 March 2020, the outstanding social insurance and housing provident fund contribution of the Target Group was not more than approximately RMB4.96 million, which has been accounted for as provision on the combined accounts of the Target and is covered and protected by the indemnity provided by Mega Regal pursuant to the Agreement. As advised by the PRC legal counsel, the statutory penalty for each non-registration of the lease agreements shall be not more than RMB10,000, which is considered by the Board as immaterial to the financial and operation of the Target Group. As advised by Mega Regal, in March 2020, Jiangsu Zheguang has obtained a new certificate of the land use rights for the new property construction plan from the land resources department of the PRC and the development of the property project has been kick started in 2020, and therefore it is believed that the risk of the land use rights being revoked by the relevant land resources department due to the delay in completion of the property project is remote.

Completion

Completion shall take place within 7 Business Days after fulfilment of all of the conditions precedent to the Agreement, or such other date as the parties to the Agreement may agree in writing.

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

THE LOAN AGREEMENT

Prior to entering into of the Agreement, certain private entities controlled by Mr. Lin had provided loan facilities to two Project Companies, which in return had provided the Pledged Properties and the Share Pledge as security for such private entities controlled by Mr. Lin to obtain loan facilities from financial institutions in the PRC as a way of financing the development of the property projects of Mr. Lin's private group.

To this end, being part and parcel of the Acquisition, on 24 August 2020, Mr. Lin and Fuzhou Sansheng (a property development and property investment company indirectly owned by Mr. Lin and Ms. Cheng) entered into the Loan Agreement with Fuzhou Bosheng, pursuant to which Fuzhou Sansheng conditionally agreed to provide (i) a RMB650 million non-interest-bearing loan to Fuzhou Bosheng Group which in return provide the Pledged Properties and the Share Pledge provided by Fuzhou Bosheng Group as security for loans obtained by the private entities controlled by Mr. Lin from financial institutions in the PRC (i.e. the Loan and Pledge Arrangement); and (ii) an unsecured loan to Fuzhou Bosheng Group on normal commercial terms in such amount necessary for the development of the property projects of the Project Companies.

The Loan Agreement will become effective from Completion Date to 31 October 2021 upon (i) obtaining of the Independent Shareholders' approval at the EGM for the resolution relating to the transactions contemplated under the Loan Agreement; and (ii) fulfilment of all conditions precedent of the Agreement (other than the one relating to the completion of the Loan Agreement).

The Pledged Properties include certain commercial and retail units and a portion of a hotel of the property projects, namely Sansheng International Centre and Sansheng International Plaza, owned by two Project Companies, being Fujian Minqiao and Yangzhou Sansheng, respectively. The aggregate market value of the Pledged Properties as at 30 June 2020 was RMB1,000.3 million, representing approximately 9.9% of the total market value of the Target Properties.

As part of the Loan and Pledge Arrangement under the Loan Agreement, Mr. Lin will fully indemnify Fuzhou Bosheng against any damage, loss or diminution in value of the Pledged Properties and the Share Pledge as a result of breach of repayment obligations in relation to loan facilities secured by the Pledged Properties and the Share Pledge under the Loan and Pledge Arrangement, by way of cash or by offsetting the outstanding loans owed by Fuzhou Bosheng to Mr. Lin's controlled entities or a combination of both.

The Agreement and the Loan Agreement are inter-conditional and the completion of the Agreement and the Loan Agreement shall take place simultaneously.

INFORMATION ON THE TARGET GROUP

Information of the Target

The Target was incorporated in the BVI on 15 May 2020 with limited liability and is principally engaged in investment holding. Upon completion of the Reorganisation, the Target shall wholly own the HK Holdco, which in turn owns 95% equity interest in Fuzhou Bosheng through the WFOE.

Information on Fuzhou Bosheng

Fuzhou Bosheng is a company established in the PRC on 23 June 2017 with limited liability and is principally engaged in investment holding. Upon completion of the Reorganisation, it is owned as to 95% by the WFOE and 5% by an independent third party. Its principal asset is its interests in nine Project Companies, namely (i) Fujian Minqiao; (ii) Fuzhou Shenglong; (iii) Quanzhou Shengchuang; (iv) Chengdu Jisheng; (v) Jiangsu Zheguang; (vi) Yangzhou Sansheng; (vii) Wenling Rongfa; (viii) Qingdao Haishang; and (ix) Putian Shengxiang, which together hold the Target Properties.

Information of the Project Companies

1. Fujian Minqiao

Fujian Minqiao is a company established in the PRC on 21 March 2011 with limited liability and is principally engaged in property development in the PRC. Upon completion of the Reorganisation, it will be wholly owned by Fuzhou Bosheng.

The principal asset of Fujian Minqiao is a parcel of land of approximately 7,678 sq.m. located at Wusi Road, Gulou District, Fuzhou City, Fujian Province, the PRC which has been developed into a commercial complex named “三盛國際中心” (Sansheng International Center*) comprising two commercial buildings of 40-storeys and 29-storeys, respectively. Construction of the complex was completed in 2017. As at 30 June 2020, Fujian Minqiao held the unsold office units, retail units and car parking spaces of the complex with a total GFA of approximately 32,452 sq.m. for investment of which 23,526 sq.m. constituted the Pledged Properties. Portions of the property with a total GFA of approximately 15,066 sq.m. were leased out at RMB60 - RMB400 per sq.m. per month, while the remaining portions were vacant as at 30 June 2020. In addition, construction of certain ancillary units and car parking spaces of 8,925 sq.m. have been completed, of which Fujian Minqiao will apply for the certificates of ownership according to the sales and marketing plan of the project. As at 30 June 2020, these units had no commercial value.

2. Fuzhou Shenglong

Fuzhou Shenglong is a company established in the PRC on 22 June 2017 with limited liability and is principally engaged in property development in the PRC. Upon completion of the Reorganisation, it will be wholly owned by Fuzhou Bosheng.

The principal asset of Fuzhou Shenglong is a parcel of land of approximately 51,955 sq.m. located at Hexie Road, Changle District, Fuzhou City, Fujian Province, the PRC which is to be developed into a residential and commercial complex named “三盛璞悦滨江” (Sansheng Puyuebinjiang*) with a planned GFA of approximately 164,908 sq.m. The project is under construction as at the date of the announcement and is expected to be completed in August 2020. As at 30 June 2020, a GFA of approximately 118,215 sq.m has been pre-sold.

3. *Quanzhou Shengchuang*

Quanzhou Shengchuang is a company established in the PRC on 4 September 2019 with limited liability and is principally engaged in property development in the PRC. Upon completion of the Reorganisation, it will be wholly owned by Fuzhou Bosheng.

The principal asset of Quanzhou Shengchuang is a parcel of land of approximately 16,960 sq.m. located in Jiangnan New District, Licheng District, Fujian Province, the PRC which is to be developed into a residential and commercial complex named “三盛璞悦里” (Sansheng Puyueli*) comprising residential units, retail units, car parking space, a kindergarten and ancillary facilities covering a planned GFA of 40,716 sq.m. The project is under construction and is expected to be completed in June 2021.

4. *Chengdu Jisheng*

Chengdu Jisheng is a company established in the PRC on 14 December 2017 and is wholly owned by Chengdu Sansheng, which is a company established in the PRC on 19 June 2009 with limited liability. Upon completion of the Reorganisation, Chengdu Sansheng will be wholly owned by Fuzhou Bosheng.

The principal assets of Chengdu Jisheng is a parcel of land of approximately 133,333 sq.m. located at Chencheng East 7th Road, Longquanyi District, Chengdu City, Sichuan Province, the PRC, which will be developed in five phases into a residential and commercial complex named “三盛都會城” (Sansheng Metropolis*) covering a GFA of approximately 442,827 sq.m.. Construction for phases I and III which comprise residential units, retail units, apartments and car parking space covering a GFA of approximately 246,914 sq.m has been completed in 2016. As at 30 June 2020, approximately 50,279 sq.m of phases I and III was unsold including approximately 26,917 sq.m have been presold but not delivered. Phase IV with a GFA of approximately 182,773 sq.m is under construction and is scheduled to be completed by October 2020 of which approximately 134,316 sq.m have been presold. Phases II and V will cover an aggregate GFA of approximately 137,442 sq.m and has not commence construction.

5. *Jiangsu Zheguang*

Jiangsu Zheguang is a company established in the PRC on 5 September 2008 with limited liability and is principally engaged in property development in the PRC. Jiangsu Zheguang is wholly-owned by Shandong Jundao, which is owned as to 99% by Shanghai Jiayong. Shanghai Jiayong is owned as to 44.16% by Jinan Sansheng which is owned as to 51% by Jinan Zuosheng. Upon completion of the Reorganisation, Jinan Zuosheng will be wholly owned by Fuzhou Bosheng.

The principal asset of Jiangsu Zheguang is a parcel of land with a site area of 118,546 sq.m. for commercial and residential use located at eastern of Beijing Road and northern of Xiangjiang Road, Tongshan District, Xuzhou City, Jiangsu Province, the PRC. Jiangsu Zheguang obtained the certificate of land use right for the land in 2019 and the construction land plan has been approved by the relevant land resources department in the PRC in March 2020.

6. *Yangzhou Sansheng*

Yangzhou Sansheng is a company established in the PRC on 5 March 2012 with limited liability and is principally engaged in property development in the PRC. Upon completion of the Reorganisation, it will be wholly owned by Fuzhou Bosheng. Its principal asset is a property development project set out below.

The principal asset of Yangzhou Sansheng is a parcel of land of approximately 39,813 sq.m located at Hanjiang Middle Road, Hangjing District, Yangzhou City, Jiangsu Province, the PRC which has been developed into a complex community named “三盛國際廣場” (Sansheng International Plaza*). Construction of the complex was completed in 2016. As at 30 June 2020, Yangzhou Sansheng held 144,705 sq.m of the complex of which 63,892 sq.m constituted the Pledged Properties. The property comprise (i) residential and retail units, of which 2,587 sq.m is currently held for sale; (ii) shopping mall, office units and car parking space with a total GFA of 120,579 sq.m, which is leased out at RMB34 – RMB510 per sq.m per month with a total leasable area 31,651 sqm; and (iii) a hotel with a GFA of 21,542 sq.m, which is currently managed by Hilton Hotel Management (Shanghai) Co., Ltd, an affiliate of Hilton Worldwide Inc.

7. *Wenling Rongfa*

Wenling Rongfa is a company established in the PRC on 10 September 2019 with limited liability and is principally engaged in property development in the PRC. Upon completion of the Reorganisation, it will be owned as to 70% by Fuzhou Bosheng and 30% by independent third parties.

The principal asset of Wenling Rongfa is a parcel of land with a site area of approximately 35,631 sq.m. located in East side of Jianping Avenue, west side of Caiping Road, Chengdong Street, Wenling City, Zhejiang Province, the PRC. The land is to be developed into a residential and commercial complex named 三盛璞悦府 (Sansheng Puyue Mansion*) comprising residential units, retail units, offices, car parking spaces and ancillary facilities, covering a GFA of 117,361 sq.m. The project is currently under construction and is scheduled to be completed in August 2022.

8. *Qingdao Haishang*

Qingdao Haishang is a company established in the PRC on 18 March 2009 with limited liability and is principally engaged in property development in the PRC. Upon completion of the Reorganisation, it will be wholly owned by Qingdao Sansheng, which will be owned as to 74% by Fuzhou Bosheng and as to 26% by an independent third party.

The principal assets of Qingdao Haishang consist of 9 parcels of land with an aggregate site area of approximately 532,518 sq.m., located at Linghai West Road, Wenquan Street Office, Jimo District, Qingdao City, Shandong Province, the PRC. The lands will be developed into a high-end residential project name “三盛國際海岸” (Sansheng International Coast*) comprising villas, residential units, retail space, and car parking space covering a GFA of approximately 879,620 sq.m.. Construction of phases I and a portion of II with an aggregate GFA of approximately 209,206 sq.m has been completed in 2017, of which approximately 151,497 sq.m have been sold and delivered, approximately 1,325 sq.m have been pre-sold and approximately 56,384 sq.m is held for sale as at 30 June 2020. A portion of Phase II with a total planned GFA of approximately 5,082 sq.m. was bare land for future development as at the date of this announcement. Phases III to VI covering an aggregate GFA of approximately 665,332 sq.m is under construction and is scheduled to be completed by February 2022.

9. *Putian Shengxiang*

Putian Shengxiang is a company established in the PRC on 26 September 2019 with limited liability and is principally engaged in property development in the PRC. Upon completion of the Reorganisation, it will be indirectly wholly owned by Qingdao Haishang which will be owned as to 74% by Fuzhou Bosheng and as to 26% by an independent third party.

The principal assets of Putian Shengxiang is a parcel of land of approximately 20,897 sq.m. located in Hanjiang District, Putian City, Fujian Province, the PRC. The land is to be developed into a residential project named “三盛璞悦公馆” (Sansheng Puyue Gongguan*) comprising residential units, car parking space and ancillary facilities covering a planned GFA of approximately 69,011 sq.m. The project is undergoing construction and is expected to be completed in October 2021. As at 30 June 2020, a GFA of approximately 4,311 sq.m has been pre-sold.

Financial Information of the Target Group

Set out below is the unaudited combined financial information of Target Group for FY2018 and FY2019 as prepared in accordance with the Hong Kong Financial Reporting Standards.

<i>(RMB in million)</i>	FY2019 <i>(unaudited)</i>	FY2018 <i>(unaudited)</i>
Revenue	291.4	663.3
(Loss)/profit before taxation	(1.7)	8.4
(Loss) after taxation	(33.7)	(19.7)

The net loss after taxation of the Target Group for FY2018 and FY2019 was mainly because properties delivered and recognised as revenue in FY2018 and FY2019 were pre-sold in downturn market with low selling prices. Revenue in respect of the pre-sold units will only be recognised upon delivery of the units to the customers. Further loss after taxation in FY2018 and FY2019 was mainly because certain Project Companies recorded land appreciation tax against the appreciation of the land value which is calculated based on the sale proceeds of the properties less deductible expenditures under applicable regulations.

As at 31 March 2020, the unaudited net asset value of Target Group attributable to Mega Regal was approximately RMB745.7 million, which upon completion of the Reorganisation pursuant to the Agreement will close to zero.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 441,114,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares:

	(i) As at the date of this announcement		(ii) Immediately upon Completion and the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mega Regal	318,348,127	72.17	367,828,127	74.98
Public Shareholders	122,765,873	27.83	122,765,873	25.02
Total	441,114,000	100.00	490,594,000	100.00

REASONS AND BENEFITS OF THE ACQUISITION

It has been a long-established business strategy of the Group to focus on and expand the existing principal business (i.e. property development and investment). The Group has expanded its property portfolio from a total site area of approximately 31,000 sq.m in April 2017 to approximately 1,998,483 sq.m. as at 30 June 2020, of which 1,583,477 sq.m. was acquired directly from independent third parties or by way of bid, auction and listing (招拍掛).

In line with the Group's well-established strategy, the Board considers that the Acquisition manifests a persistent and consistent pursuit of the Group to establish its market position and image through expansion of land bank and property portfolio, and to gain a better global rating for debt issuance through legitimate and organic growth of the Group's asset size. In November 2019, the Group moved its headquarter from Fuzhou to Shanghai with a view to further establishing its foothold in the PRC property market. The Acquisition also brings about (i) stable revenue and cashflow for projects under development in the future; (ii) stable rental income and cashflow from investment properties and unsold properties; (iii) additional land bank for future development; and (iv) wider geographic coverage of coastal areas and different tier cities.

Given the net asset value of the Target upon completion of the Reorganisation will turn to a minimal level, the subject matter of the Acquisition is in substance the Target Valuation Surplus. The Consideration represented a significant discount of approximately 67.7% to the Target Valuation Surplus of approximately RMB958.9 million. The Board therefore considers that the Consideration is favourable to the Company and the Shareholders as a whole. Being part and parcel of the Acquisition, the Board also considers that the Loan Agreement as a whole would provide adequate financing for the Group's development of the property projects of the Project Companies upon Completion and the financing terms offered by Fuzhou Sansheng are more favourable than those available in the market having considered that (i) the loan-to-value ratio of the loan granted by Mr. Lin to Fuzhou Bosheng Group upon Completion is higher than that available in the market from other financial institutions; (ii) the loan is interest free; and (iii) the associated risks of the Pledged Properties are largely contained in the sense that the Pledged Valuation Surplus of approximately RMB21.3 million constituted less than 3% of the total Target Valuation Surplus and Mr. Lin agrees to indemnify any loss or diminution in value of the Pledged Properties under the Loan Agreement.

In view of the above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to enter into the Acquisition and the Financial Assistance.

LISTING RULES IMPLICATIONS

As certain percentage ratios (defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 25% but under 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. In addition, as the Vendor and Mr. Lin are connected persons of the Company, the Acquisition would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

Upon Completion, Fuzhou Bosheng will become an indirect non-wholly-owned subsidiary of the Company and the Loan and Pledge Arrangement (including the indemnity to be provided by Mr. Lin) will therefore constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules. The unsecured loan to be provided by Fuzhou Sansheng on normal commercial terms subsequent to Completion will be exempted under Rule 14A.90 of the Listing Rules. Accordingly, the Acquisition as aggregated with the Loan and Pledge Arrangement (including the indemnity to be provided by Mr. Lin) would constitute a major and connected transaction of the Company under the Listing Rules and therefore are subject to reporting, announcement and Shareholders' approval requirements under the Listing Rules.

The Consideration Shares will be issued under specific mandate to be sought from the Independent Shareholders at the EGM.

GENERAL

The EGM will be convened and held to consider and, if thought fit, approve the resolutions in respect of the Agreement, the Loan Agreement and the transactions contemplated thereunder. Mr. Lin (being the Chairman of the Board and an executive Director) and Ms. Cheng (being an executive Director and the spouse of Mr. Lin) had abstained from voting on the Board's resolutions approving the Agreement, the Loan Agreement and the transactions contemplated thereunder in light of their material interests in the Acquisition and the Financial Assistance. Mega Regal will also be abstained from voting on the resolutions approving the Agreement (including the issue of the Consideration Shares), the Loan Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (i) details of the Agreement; (ii) details of the Loan Agreement; (iii) letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) financial information of the Group; (vi) financial information of the Target Group; (vii) unaudited pro forma financial information of the Group assuming Completion; (viii) valuation report of the Target Properties; (ix) notice convening the EGM; and (x) other information as required under the Listing Rules, is expected to be despatched on or before 25 September 2020 after taking into account the estimated time required for the Company to prepare relevant information for inclusion in the circular.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Agreement, the Loan Agreement and the transactions contemplated thereunder. In this connection, an Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement, the Loan Agreement and the transactions contemplated thereunder.

As Completion is subject to fulfilment of the conditions precedent to the Agreement and the Loan Agreement, the Acquisition and the Financial Assistance may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares by the Company from Mega Regal pursuant to the terms and conditions of the Agreement
“Agreement”	the conditional sale and purchase agreement dated 24 August 2020 entered into between the Purchaser and Mega Regal (as Vendor) in relation to the acquisition of the Sale Shares
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	day(s) (other than a Saturday, Sunday or a public holiday in Hong Kong or the PRC) on which commercial banks are open for business in Hong Kong and the PRC
“BVI”	the British Virgin Islands
“Chengdu Jisheng”	Chengdu Jisheng Real Estate Co., Ltd.* (成都吉盛置業有限公司), a company established in the PRC with limited liability
“Chengdu Sansheng”	Chengdu Sansheng Real Estate Development Co., Ltd.* (成都三盛房地產開發有限公司), a company established in the PRC with limited liability

“Company”	Sansheng Holdings (Group) Co. Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2183)
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the acquisition of the Sale Shares in the amount of HK\$347,349,600
“Consideration Shares”	49,480,000 new Shares to be allotted and issued by the Company to Mega Regal
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held and convened for the Independent Shareholders to consider, and if thought fit, to approve the Agreement (including the issue of the Consideration Shares), the Loan Agreement and transactions contemplated thereunder
“Financial Assistance”	the transactions contemplated under the Loan Agreement
“Fujian Minqiao”	Fujian Minqiao Real Estate Development Co., Ltd.* (福建閩僑房地產開發有限公司), a company established in the PRC with limited liability
“Fuzhou Bosheng”	Fuzhou Bosheng Investment Co., Ltd.* (福州伯盛投資有限公司), a company established in the PRC with limited liability
“Fuzhou Bosheng Group”	Fuzhou Bosheng and its subsidiaries
“Fuzhou Sansheng”	Fuzhou Sansheng Property Co., Ltd.* (福州三盛置業有限公司) a company established in the PRC with limited liability and is indirectly held by Mr. Lin and Ms. Cheng

“Fuzhou Shenglong”	Fuzhou Shenglong Real Estate Development Co., Ltd.* (福州盛隆房地產開發有限公司), a company established in the PRC with limited liability
“FY2018”	the financial year ended 31 December 2018
“FY2019”	the financial year ended 31 December 2019
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK Holdco”	Sheng Tu (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by the Target
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Pan Dexiang, Mr. Yuan Chun and Mr. Zhong Bin, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Agreement (including the issue of the Consideration Shares), the Loan Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement (including the issue of the Consideration Shares), the Loan Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than (i) Mega Regal; and (ii) any other Shareholders who have a material interest in the Agreement (including the issue of the Consideration Shares), the Loan Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons

“Jiangsu Zheguang”	Jiangsu Zheguang Real Estate Co., Ltd.* (江蘇浙廣置業有限公司), a company established in the PRC with limited liability
“Jinan Sansheng”	Jinan Sansheng Jundao Investment Co., Ltd.* (濟南三盛君道投資有限公司), a company established in the PRC with limited liability
“Jinan Zuosheng”	Jinan Zuosheng Investment Co., Ltd.* (濟南佐盛投資有限公司), a company established in the PRC with limited liability
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan and counter-guarantee agreement dated 24 August 2020 entered into among Mr. Lin, Fuzhou Sansheng and Fuzhou Bosheng in relation to (i) a non-interest bearing loan of RMB650 million provided by Fuzhou Sansheng to Fuzhou Bosheng Group which in return provided the Pledged Properties and Share Pledge as security for loans obtained by private entities controlled by Mr. Lin; (ii) an unsecured loan in such amount necessary for the development of the property project of the Project Companies provided by Fuzhou Sansheng to Fuzhou Bosheng Group; and (iii) an indemnity provided by Mr. Lin to indemnify Fuzhou Bosheng against any damage, loss or diminution in value of the Pledged Properties and the Share Pledge as a result of any breach in repayment obligations in relation to loan facilities secured by such pledged assets
“Loan and Pledge Arrangement”	the (i) loan in the amount of RMB650 million to be provided by Fuzhou Sansheng to Fuzhou Bosheng Group at Completion in return for the Pledged Properties and Share Pledge provided by Fuzhou Bosheng Group as security for loans obtained by private entities controlled by Mr. Lin; and (ii) indemnity to be provided by Mr. Lin to Fuzhou Bosheng, pursuant to the terms and conditions of the Loan Agreement
“Mega Regal” or “Vendor”	Mega Regal Limited, the controlling Shareholder which holds 318,348,127 Shares, representing approximately 72.17% issued share capital of the Company as at the date of this announcement
“Mr. Lin”	Mr. Lin Rongbin, the Chairman of the Board and an executive Director

“Ms. Cheng”	Ms. Cheng Xuan, an executive Director and the spouse of Mr. Lin
“Pledged Properties”	certain properties pledged by Fujian Minqiao and Yangzhou Sansheng, in relation to the due performance of repayment obligations of banking facilities obtained by another private entity controlled by Mr. Lin from financial institutions in the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Project Companies”	collectively (i) Fujian Minqiao; (ii) Fuzhou Shenglong; (iii) Quanzhou Shengchuang; (iv) Chengdu Jisheng; (v) Jiangsu Zheguang; (vi) Yangzhou Sansheng; (vii) Wenling Rongfa; (viii) Qingdao Haishang; and (ix) Putian Shengxiang
“Purchaser”	Total Prestige Holdings Limited, a company established in the BVI with limited liability and a wholly owned subsidiary of the Company
“Putian Shengxiang”	Putian Shengxiang Real Estate Development Co., Ltd.* (莆田市盛祥房地產開發有限公司), a company established in the PRC with limited liability
“Qingdao Haishang”	Qingdao Haishang Real Estate Co., Ltd.* (青島海上置業有限公司), a company established in the PRC with limited liability
“Qingdao Sansheng”	Qingdao Sansheng Investment Co., Ltd.* (青島三盛投資有限公司), a company established in the PRC with limited liability
“Quanzhou Shengchuang”	Quanzhou Shengchuang Real Estate Co., Ltd.* (泉州盛創置業有限公司), a company established in the PRC with limited liability
“Reorganisation”	the group restructuring to be carried out by Mega Regal and Fuzhou Sansheng with a view to regroup the Project Companies under the Target which will be wholly owned by Mega Regal

“Sale Shares”	100 shares of US\$1 in the Target, representing the entire equity interest in the Target, who through its wholly-owned subsidiaries HK Holdco and WFOE, holds 95% equity interest in Fuzhou Bosheng
“Shandong Jundao”	Shandong Jundao Development Holdings Group Co., Ltd.* (山東君道發展控股集團有限公司), a company established in the PRC with limited liability
“Shanghai Jiayong”	Shanghai Jiayong Duogan Investment Center (Limited Partnership)* (上海嘉甬多甘投資中心(有限合夥)), a limited partnership established in the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Pledge”	the share pledge provided by a private entity controlled by Mr. Lin over the entire equity interests in Fujian Minqiao, in relation to the due performance of repayment obligations of a banking facility obtained by another private entity controlled by Mr. Lin from a financial institution in the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target”	Rosy Path Group Limited (盛途集團有限公司), a company incorporated in the BVI on 15 May 2020 with limited liability and wholly owned by Mega Regal
“Target Group”	the Target and its subsidiaries upon completion of the Reorganisation
“Target Properties”	real estate properties held by the Project Companies
“Wengling Rongfa”	Wenling Rongfa Real Estate Development Co., Ltd.* (溫嶺榮發房地產開發有限公司), a company established in the PRC with limited liability
“WFOE”	a wholly foreign owned enterprise to be established in the PRC and which will be wholly owned by HK Holdco upon completion of the Reorganisation

“Yangzhou Sansheng”	Yangzhou Sansheng Real Estate Development Co., Ltd.* (揚州三盛房地產開發有限公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. m.”	square metre(s)
“%”	per cent.

For ease of reference, sums in RMB in this announcement is translated at the rate of RMB1.0 = HK\$1.12. This does not mean that RMB could be converted into HK\$ or vice versa based on such exchange rates.

* *The English translation of the Chinese name denoted in this announcement is for illustration purpose only. Shall there be any inconsistencies, the Chinese name prevail.*

By order of the Board
Sansheng Holdings (Group) Co. Ltd.
Lin Rongbin
Chairman

Hong Kong, 24 August 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lin Rongbin and Ms. Cheng Xuan; two non-executive Directors, namely Mr. Xiao Zhong and Mr. Xu Jianwen; and three independent non-executive Directors, namely Mr. Pan Dexiang, Mr. Yuan Chun and Mr. Zhong Bin.