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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)

**DISCLOSEABLE TRANSACTION
COOPERATION AGREEMENT
OF THREE-OLD TRANSFORMATION PROJECT
IN RELATION TO THE ACQUISITION OF LAND USE RIGHTS**

INTRODUCTION

The Board hereby announces that on 4 December 2020 (after trading hours of the Stock Exchange), Xiamen Shengchuang (an indirect non wholly-owned subsidiary of the Company) entered into the Agreements with Guangdong Xinhui Industry (the Partner), Mr. Wang Peide, Ms. Chen Aixi and Sansheng Group, pursuant to which Both Parties agreed to cooperate in the development of the Three-old Transformation Project (i.e. transformation of old towns, old factories and old villages) of the Target Land.

The Target Land is located at the south side of Lianhe Road and the east side of Fu'an Road, Guangyi Street, Chenghai District, Shantou City, Guangdong Province, the PRC. Currently, it is used as industrial land and the land use rights of which are held by the Partner. The Three-old Transformation Project involves cooperation with the Partner to transform the land use of the Target Land from industrial land to type II residential land, and the Project Company will acquire the land use rights of the Target Land after the conversion of land use. Xiamen Shengchuang and the Partner will establish a project company which will be owned as to 80% by Xiamen Shengchuang and 20% by the Partner. The Project Company will be principally engaged in the development and construction of the Target Land.

The Project Company will acquire the land use rights of the Target Land from the Partner. The Partner will procure the relevant government departments to grant the land use rights of the Target Land previously held by the Partner to the Project Company by agreement in the process of undertaking the Three-old Transformation Project of the Target Land, and the Project Company will sign the State-owned Construction Land Use Rights Grant Contract* (《國有建設用地出讓合同》) with the relevant government departments to obtain the land use rights of the Target Land. Within 24 months from the date on which the State-owned Construction Land Use Rights Grant Contract is signed between the Project Company and the relevant government departments, the Partner shall transfer its 20% equity interest in the Project Company to Xiamen Shengchuang, and the Project Company will be wholly owned by Xiamen Shengchuang.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Agreements and the transactions contemplated thereunder is more than 5% but all are less than 25%, the entering into of the Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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THE AGREEMENTS

A summary of the principal terms of the Agreements is set forth below:

Date

4 December 2020 (after trading hours of the Stock Exchange)

Parties

- (a) Xiamen Shengchuang;
- (b) Guangdong Xinhui Industry (the Partner);
- (c) Mr. Wang Peide, as guarantor of Guangdong Xinhui Industry;
- (d) Ms. Chen Aixi, as guarantor of Guangdong Xinhui Industry; and
- (e) Sansheng Group, as guarantor of Xiamen Shengchuang and the Project Company.

DETAILS OF THE TARGET LAND

The land use rights of the Target Land is currently held by the Partner. The Target Land is located at the south side of Lianhe Road and the east side of Fu'an Road, Guangyi Street, Chenghai District, Shantou City, Guangdong Province, the PRC, with a site area of approximately 23,774.3 sq. m., which is currently used as industrial land. The Target Land has a gross floor area of approximately 18,000 sq. m. and currently has a number of low-rise office buildings and factories erected thereon. The office buildings and factories are not subject to any lease or sale, and are pending for demolition.

According to the Approval on the Three-old Transformation Implementation Plan in 2020* (《關於2020年度三舊改造實施計劃的批覆》) issued by the Office of the People's Government of Chenghai District, Shantou City, the Target Land has been included in the Annual Implementation Plan for the Three-old Transformation (i.e. Old Towns, Old Factories and Old Villages Transformation Plan) of Chenghai District, Shantou City in 2020.

According to the Planning Conditions for the Three-old Transformation Project at the south side of Lianhe Road and the east side of Guangyi Street, Chenghai District* (《澄海區廣益街道蓮河路南側、阜安路東側三舊改造項目規劃條件》) (the “**Planning Conditions Letter**”) issued by the Chenghai Branch of Shantou Natural Resources Bureau, after the “three-old” transformation of the Target Land, its land use will be converted to type II residential land. According to the Agreements, the Partner undertakes that the site area available for development upon the completion of the “three-old” transformation of the Target Land will be not less than 20,074.8 sq. m., and the plot area will be not more than 80,299.20 sq. m. (excluding the gross floor area of the buildings like kindergartens to be built for the government). According to the Planning Conditions Letter, the Project Company is required to build a kindergarten of 3,542.6 sq.m. for the government and hand it over to the designated government department upon completion. The fund for the construction of the kindergarten is to be funded by the government.

ESTABLISHMENT OF THE PROJECT COMPANY

According to the Agreements, Xiamen Shengchuang and the Partner will first establish the Project Company. The registered capital of the Project Company will be RMB20 million, with 80% and 20% to be contributed by Xiamen Shengchuang and the Partner, respectively. The Project Company will be principally engaged in the development and construction of the Target Land.

The Project Company will acquire the land use rights of the Target Land from the Partner. The Partner will procure the relevant government departments to transfer the land use rights of the Target Land currently held by the Partner to the Project Company by agreement in the process of undertaking the Three-old Transformation Project of the Target Land, and the Project Company will sign the State-owned Construction Land Use Rights Grant Contract with the relevant government departments to obtain the land use rights of the Target Land.

Within 24 months from the date when the Project Company signs the relevant State-owned Construction Land Use Rights Grant Contract, the Partner shall transfer the 20% equity interest in the Project Company to Xiamen Shengchuang at the request of Xiamen Shengchuang, and the transfer consideration shall be based on the paid-up amount for capital contribution of the Partner. Upon completion of the above equity transfer, the Project Company will be wholly owned by Xiamen Shengchuang.

MANAGEMENT OF THE PROJECT COMPANY

The exercise of voting rights in shareholders' meetings of the Project Company will be in accordance with the proportion of shareholders' capital contribution (subscribed capital contribution), and the resolution in the shareholders' meetings of the Project Company is required to be approved by two-thirds of the shareholders entitled to vote.

The executive directors, supervisors, general manager and legal representative of the Project Company will all be appointed by Xiamen Shengchuang.

PROFIT DISTRIBUTION OF THE PROJECT COMPANY

Pursuant to the Agreements, the Partner will be given priority in receiving a fixed profit after tax of RMB65 million (the "**Fixed Profit After Tax**") from the Project Company, which shall be allocated by the Project Company to the Partner within 8 months from the date of signing the State-owned Construction Land Use Rights Grant Contract between the Project Company and relevant government departments. Subsequent profits of the Project Company in excess of RMB65 million will be retained by the Project Company and can be distributed by the Project Company to Xiamen Shengchuang. The Partner will not be entitled to receive any profit of the Project Company that exceeds the aforesaid profit base.

ALLOCATION OF CAR PARK USE RIGHT

The Project Company will also allocate rights of use of 100 car parking spaces (the "**Car Park Use Right**") to the Partner. After the Project Company obtains the pre-sale license of parking spaces with property rights, the Project Company will sign an agreement with the Partner to deliver the Car Park Use Right. The Partner may entrust the sales team of the Project Company to sell such parking spaces in whole or in part. The Partner shall pay the Project Company sales management fee representing 3% of the sales proceeds.

Xiamen Shengchuang and the Partner agreed that the average price for such parking spaces should be RMB120,000 each. The sales team of the Project Company will conduct sales activities according to the quantity entrusted by the Partner (the total price would be RMB12 million if all the entrustments are made, and so forth). If the average selling price is less than RMB120,000 each, the shortfall shall be made up from the portion with a net profit margin higher than 7% of the Project Company (no compensation shall be made if the net profit margin is less than 7%). If the average selling price of the parking spaces entrusted by the Partner exceeds RMB120,000 each, any gain arising from the excess shall be retained by the Project Company.

BORROWING

The Partner currently has mortgaged the Target Land to Shantou Chenghai Rural Credit Cooperative as collateral for its only loan, and the outstanding principal and interest currently amounted to approximately RMB42 million (the “**Chenghai RCC Loan**”). In addition, in order to complete the three-old transformation of the Target Land, the Partner is required to make an additional payment to the relevant government departments for a preferential land premium for industrial land of approximately RMB8 million (the “**Preferential Land Premium for Industrial Land**”).

Except for the Chenghai RCC Loan, there are no other debts, external guarantees, contractual obligations, potential litigation risks or restrictions on rights in respect of the Target Land.

The Project Company will provide a borrowing of RMB50 million (the “**Borrowing**”) at an interest rate of 12% per annum (interest free for the first 2 months) to the Partner for the repayment of the Chenghai RCC Loan in order to release the mortgage guarantee on the Target Land and the payment of the Preferential Land Premium for Industrial Land, with Mr. Wang Peide and Ms. Chen Aixi providing guarantee for the repayment of the Borrowing by the Partner.

CONSIDERATION

Pursuant to the Agreements, the total consideration for the acquisition of the land use rights of the Target Land is not more than RMB348,407,000, including RMB160 million to be paid by the Project Company to the Partner in cash (“**Cash Consideration**”), the Project Company’s Fixed Profit After Tax of RMB65 million and the Car Park Use Right valued at RMB12 million, as well as the additional land premium of no more than RMB111,407,000 to be paid to the relevant government departments by the Project Company.

The Consideration was arrived at normal commercial terms and after arm’s length negotiation between the parties after taking into account the market prices of the land parcels recently transacted through open market by way of bid, auction and listing (招拍掛), the recent average market prices of the residential properties in vicinity and the economic benefits expected to be brought to the Group upon completion of the Agreements.

The Consideration will be financed by the Project Company’s registered capital and capital injection from its shareholders and/or loans from the Group and/or external financing.

PAYMENT TERMS FOR CASH CONSIDERATION

The Project Company shall pay the Cash Consideration to the Partner in the following manner:

- (i) Phase 1: The Borrowing of RMB50 million provided by the Project Company to the Partner shall be converted as the first installment of consideration paid by the Project Company to the Partner for the Target Land on the date the Project Company signs the State-owned Construction Land Use Rights Grant Contract with the relevant governmental departments and the Partner has delivered the Target Land to the Project Company after the clearance of the land in accordance with the Agreements;
- (ii) Phase 2: Within 30 days after the signing of the State-owned Construction Land Use Rights Grant Contract between the Project Company and relevant government departments, the Project Company will pay the second installment of consideration of RMB75 million for the Target Land to the Partner; and
- (iii) Phase 3: Within eight months from the date the Project Company signs the State-owned Construction Land Use Rights Grant Contract with the relevant government departments, the Project Company will pay the remaining balance of the consideration for the Target Land of RMB35 million to the Partner.

THREE-OLD TRANSFORMATION AND ADDITIONAL LAND PREMIUM

Within 6 months from the date of entering into the Agreements, the Partner shall be responsible for obtaining, under the name of the Project Company, a valid approval from the relevant government departments of the transformation plan of the Target Land with the Project Company as the three-old transformation subject, and the planning indicators in the valid approval of the transformation plan should be consistent with the agreed planning indicators in the Agreements.

The Partner shall be responsible for assisting the Project Company to obtain a notice of additional land premium payment from the relevant government departments within 60 days after the Project Company has obtained valid approval of the transformation plan. In order to convert the use of the Target Land from industrial land to type II residential land, the Project Company shall pay additional land premium of not more than RMB111,407,000 to the relevant government departments.

The Partner shall be responsible for procuring the relevant government departments to grant the land use rights of the Target Land to the Project Company by way of agreement within 4 months from the date on which the Project Company provides a borrowing of RMB50 million to the Partner, and each of the planning indicators of the Target Land stipulated in the State-owned Construction Land Use Rights Grant Contract shall be consistent with that of the Agreements.

The Project Company shall sign the State-owned Land Use Rights Grant Contract and pay the relevant fees as required by the government within 20 days from the date of expiry of the notice period of the grant under the state-owned land use rights agreement. Within 15 days after the Project Company has paid the additional land premium and the relevant taxes and fees, and has submitted all the required information to the relevant government departments, the Partner shall be responsible for procuring the Project Company to obtain the Real Estate Title Certificate of type II residential land for the Target Land after the “three-old” transformation.

GUARANTEE

According to the Agreements, Mr. Wang Peide and Ms. Chen Aixi are required to guarantee the obligations of the Partner under the Agreements and Sansheng Group is required to guarantee the performance of Xiamen Shengchuang and the Project Company’s obligations under the Agreements.

As at the date of this announcement, Sansheng Group is wholly owned by Mr. Lin Rongbin and Ms. Cheng Xuan, directors of the Company, and is an associate of connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the provision of guarantees by Sansheng Group to Xiamen Shengchuang and the Project Company constitutes a connected transaction for the Group to receive financial assistance from a connected person pursuant to Chapter 14A of the Listing Rules. As the aforesaid guarantees are on normal commercial terms or better and are not secured by any of the Group’s assets, therefore such guarantees are fully exempted from the announcement, circular and shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Mr. Wang Peide and Ms. Chen Aixi also undertook to pledge their entire shareholding (100% shareholding) in the Partner to Xiamen Shengchuang, and the Partner shall pledge its entire shareholding (20% shareholding) in the Project Company to Xiamen Shengchuang.

INFORMATION ON THE GROUP AND THE PARTIES OF THE AGREEMENTS

The Company is an investment holding company and its subsidiaries are principally engaged in property development and property investment.

Xiamen Shengchuang is an indirect non wholly-owned subsidiary of the Company which is principally engaged in real estate development and operation.

Sansheng Group is a conglomerate and its business comprises four main business segments, namely real estate, education, health and technology. It is wholly owned by Mr. Lin Rongbin and Ms. Cheng Xuan, directors of the Company.

Guangdong Xinhui Industry is a company established under the PRC law with limited liability and is principally engaged in production and sale of plastic products and printing of printed products. Guangdong Xinhui Industry is 80% owned by Mr. Wang Peide and 20% owned by Ms. Chen Aixi. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Guangdong Xinhui Industry and its ultimate beneficial owners, Mr. Wang Peide and Ms. Chen Aixi, are third parties independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

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 Board considers that the entering into of the Agreements would enable the Group to expand its land bank which is consistent with its business strategy.

Having considered the above, the Board is of the view that the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Agreements and the transactions contemplated thereunder is more than 5% but all are less than 25%, the entering into of the Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Three-old Transformation Project”	the establishment of the Project Company pursuant to the Agreements to convert the use of the Target Land from industrial land to type II residential land and to acquire the land use rights of the Target Land by the Project Company
“Agreements”	the three-old transformation project cooperation agreement and its supplemental agreement both dated 4 December 2020 entered into between Xiamen Shengchuang and Guangdong Xinhui Industry, Mr. Wang Peide, Ms. Chen Aixi and Sansheng Group in relation to, among others, the cooperation in developing the Three-old Transformation Project (i.e. transformation of old towns, old factories and old villages) of the Target Land

“Board”	the board of Directors
“Both Parties”	Xiamen Shengchuang and Guangdong Xinhui Industry
“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)
“Consideration”	the consideration of not more than RMB348,407,000 for the acquisition of the land use rights of the Target Land held by Guangdong Xinhui Industry, including RMB160 million to be paid by the Project Company to the Partner in cash, the Project Company’s Fixed Profit After Tax of RMB65 million and the Car Park Use Right valued at RMB12 million, as well as the additional land premium of no more than RMB111,407,000 to be paid to the relevant government departments by the Project Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Xinhui Industry” or “Partner”	Guangdong Xinhui Industry Co., Ltd.* (廣東信輝實業有限公司), a company established under the PRC law with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Project Company”	the project company to be established under the Agreements, which will be owned as to 80% by Xiamen Shengchuang and 20% by Guangdong Xinhui Industry
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sansheng Group”	Sansheng Group Co., Ltd.* (三盛集團有限公司), a company established under the PRC law with limited liability

“Shareholders”	shareholders of the Company
“sq. m.”	square meter(s)
“Target Land”	Cheng State-owned (2009) Lot No. 2009030 (澄國用(2009)第2009030號) which is located at the south side of Lianhe Road and the east side of Fu’an Road, Guangyi Street, Chenghai District, Shantou City, Guangdong Province, the PRC
“Xiamen Shengchuang”	Xiamen Shengchuang Property Co., Ltd* (廈門盛創置業有限公司), a company established under the PRC law with limited liability which is an indirect non wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 4 December 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.

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