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# 三盛控股

Sansheng Holdings (Group) Co. Ltd.

**Sansheng Holdings (Group) Co. Ltd.**

**三盛控股(集團)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2183)**

## **CONTINUING CONNECTED TRANSACTION IN RELATION TO DECORATION SERVICES FRAMEWORK AGREEMENT**

### **THE DECORATION SERVICES FRAMEWORK AGREEMENT**

On 3 September 2021, the Company entered into the Decoration Services Framework Agreement with Helisheng (Shanghai), pursuant to which Helisheng (Shanghai) agreed to provide, or procure its fellow subsidiaries to provide, interior decoration and fitting-out services to the Group from time to time and the procurement of such services by the Group shall be on a non-exclusive basis.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Lin, through companies wholly-owned by him, is interested in a total of 367,828,127 Shares, representing approximately 74.98% of the issued share capital of the Company.

As at the date of this announcement, Helisheng (Shanghai) is directly owned as to 51%, 16%, 20% and 13% by Pingtan Binhai, Mr. Cheng Huan (the brother of Ms. Cheng and brother-in-law of Mr. Lin), Mr. Zhang Min and Mr. Liu Xiaowen (the latter two are Independent Third Parties), respectively, and Pingtan Binhai is directly owned by Mr. Lin and Ms. Cheng as to 90.1% and 9.9%, respectively. Therefore, Helisheng (Shanghai) is an associate of Mr. Lin and the transactions contemplated under the Decoration Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the Decoration Services Framework Agreement is more than 5%, the Decoration Services Framework Agreement (including the proposed annual caps) will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will convene the EGM for the purpose of, among other things, considering and if thought fit, approving the Decoration Services Framework Agreement (including the proposed annual caps).

A circular containing, among other things, (i) further information on the Decoration Services Framework Agreement and the proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 8 October 2021.

## **INTRODUCTION**

On 3 September 2021, the Company entered into the Decoration Services Framework Agreement with Helisheng (Shanghai), pursuant to which Helisheng (Shanghai) agreed to provide, or procure its fellow subsidiaries to provide interior decoration and fitting-out services to the Group on a non-exclusive basis. The Decoration Services Framework Agreement is effective from the Effective Date up to and including 31 December 2023, and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules.

## **THE DECORATION SERVICES FRAMEWORK AGREEMENT**

The principal terms of the Decoration Services Framework Agreement are as follows:

### **Date**

3 September 2021

**Parties**

- (i) The Company (for itself and on behalf of its subsidiaries) (as the service recipient); and
- (ii) Helisheng (Shanghai) (for itself and on behalf of its subsidiaries) (as the service provider).

**Term**

From the Effective Date to 31 December 2023 (both days inclusive) and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules.

**Condition precedent**

The Decoration Services Framework Agreement is conditional and shall only take effect upon the approval of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders at the EGM.

**Subject matter**

Pursuant to the Decoration Services Framework Agreement, Helisheng (Shanghai) agreed to provide, or procure its fellow subsidiaries to provide, interior decoration and fitting-out services to the Group from time to time and the procurement of such services by the Group shall be on a non-exclusive basis. Such services include interior decoration and fitting out works for the sales centers, showrooms and model flats, as well as the sale flats and houses of the Group's property development projects, including the provision of labour, materials and quality assurance services.

**Definitive Agreement(s)**

Members of the Group and members of the Helisheng Group will, from time to time during the term of the Decoration Services Framework Agreement, enter into separate definitive agreements in respect of the transactions contemplated thereunder, which shall always be in compliance with the Listing Rules and the legally binding principles, guidelines, terms and conditions contained in the Decoration Services Framework Agreement.

### **Pricing policy and basis of price determination**

The payment terms are dependent on the type of interior decoration and fitting-out works to be provided and are determined at the time when such separate definitive agreements are entered into. The payment terms will be specified in each individual definitive agreement to be agreed by the parties.

The decoration fees payable by the Group shall be based on the fee quotes submitted by the Helisheng Group, taking into account a wide range of factors such as the nature and conditions of the relevant property projects and the scope of services to be provided. The Group shall also determine the fees with reference to the fees quoted by other independent and comparable decoration service providers to the Group under normal commercial terms in the ordinary course of its business through tenders or solicitation of quotations.

The project department and the costing department of the Group first take into account factors such as the nature of the property project (e.g. standard residential projects or fine-decorated projects), the timing of delivery of the interior decoration and fitting-out works, any specific request from the business partners of its jointly developed projects, any fluctuation in the demand for, and pricing of, the provision of interior decoration and fitting-out works, to determine whether to hold tenders or solicit quotations to obtain the said fee quote from service providers.

In either case, the Group ensures that the prices and terms of these types of decoration contracts entered into by the Group are determined on normal commercial terms, negotiated on an arm's length basis and, in respect of contracts entered into with the Helisheng Group, at prices and on terms no less favourable to the Group than those offered by the Independent Third Party service providers.

The non-exclusive arrangement under the Decoration Services Framework Agreement also allows the Group to procure interior decoration and fitting-out services from other service providers if the terms offered by the Helisheng Group are not the most favourable to the Group.

## Historical Figures

The Group only started to engage Helisheng (Shanghai) for the provision of interior decoration and fitting-out services to the Group in 2021, and members of the Group have entered into three contracts with Helisheng (Shanghai) with an aggregate contract sum of approximately RMB1.38 million during the period from 1 January 2021 up to the date of this announcement.

## Annual caps and basis of the annual caps

The proposed annual caps in respect of the transactions under the Decoration Services Framework Agreement for each of the three years ending 31 December 2021, 2022 and 2023 are:

<b>Period</b>	<b>Annual cap</b>
For the year ending 31 December 2021	RMB70 million
For the year ending 31 December 2022	RMB290 million
For the year ending 31 December 2023	RMB610 million

The proposed annual caps in respect of the interior decoration and fitting-out services under the Decoration Services Framework Agreement were determined by reference to (i) the historical interior decoration and fitting-out expenses recorded for the Group's property development projects; and (ii) the anticipated demand for interior decoration and fitting-out services by the Group based on the current development plan of its existing property development projects. As disclosed in the 2021 interim results announcement of the Company, the Group has a total of 56 property projects that are held for sale, under development or held or secured for future development, and the Group has acquired or secured to acquire interests in 4 new land parcels in the first half of 2021, for which they will then need to set up sales centres and showrooms, etc. for these new property projects in the second half of 2021 and beyond; (iii) the expectation that labour and material costs in China will steadily increase in the future; (iv) the prevailing and the expected increase in market price for the provision of similar interior decoration and fitting-out services; and (v) the inclusion of a buffer for the estimated amount of interior decoration and fitting-out services required by the Group so as to accommodate any unexpected increase in the aforesaid transaction volume amount (as a result of any unexpected increase in market demand for the Group's property development projects or additional land parcels being acquired by the Group) or unexpected increase in the cost of provision of the interior decoration and fitting-out services as contemplated under the Decoration Services Framework Agreement.

## **INTERNAL CONTROL**

In order to ensure the transactions contemplated under the Decoration Services Framework Agreement (i) will be conducted on normal commercial terms; (ii) will be fair and reasonable to the Company and the Shareholders; and (iii) will not be prejudicial to the interests of the Company and Shareholders as a whole, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the Group will carry out the tendering and/or quotation solicitation procedures as stated above, and in respect of solicitation of quotations, the Group would solicit at least 3 contemporaneous quotations from service providers for consideration;
- (ii) the finance department of the Company will closely monitor the transactions contemplated under the Decoration Services Framework Agreement to ensure that the transaction amounts will not exceed the annual caps;
- (iii) the legal department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Decoration Services Framework Agreement are conducted on normal commercial terms, in accordance with the terms set out in the Decoration Services Framework Agreement and whether the service fees and relevant contract terms are in the interests of the Company and the Shareholders as a whole;
- (iv) the independent non-executive Directors and the auditors of the Company will on a regular basis be provided with the (a) Decoration Services Framework Agreement; (b) agreements entered into between the Group and Independent Third Parties for the provision of similar interior decoration and fitting-out services; and (c) fee quotations/tenders submitted by Independent Third Parties for their review and for comparison purposes. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions are conducted on normal commercial terms and are in accordance with the terms of the Decoration Services Framework Agreement; and
- (v) the auditors of the Company will conduct an annual review of the transactions entered into under the Decoration Services Framework Agreement to ensure that the transaction amounts are within the annual caps and the transactions are in accordance with the terms set out in the Decoration Services Framework Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE DECORATION SERVICES FRAMEWORK AGREEMENT**

The Company is an investment holding company. The Company's subsidiaries are principally engaged in property development and sales, property investment, hotel operation, construction and design services, consultation services and project management services. Helisheng (Shanghai) is principally engaged in the provision of interior decoration and fitting out services and has become a 51%-owned subsidiary of Pingtan Binhai (a company directly owned by Mr. Lin and Ms. Cheng as to 90.1% and 9.9%, respectively) since 12 May 2021.

In anticipation that the aggregate annual amount in respect of the purchase of the interior decoration and fitting-out services from the Helisheng Group by the Group will exceed HK\$3,000,000 and one or more of the applicable percentage ratios for the proposed annual caps for transactions contemplated under the Decoration Services Framework Agreement will exceed 5%, the Company and Helisheng (Shanghai) entered into the Decoration Services Framework Agreement in order to comply with the requirements under Chapter 14A of the Listing Rules.

The Group is committed to delivering quality property products and strives to continuously improve the construction, design and decor of its property development projects. The entry into the Decoration Services Framework Agreement with Helisheng (Shanghai) is consistent with the Group's core business goals and development strategies to ensure it will have more interior decoration and fitting-out services providers to be on panel. In addition, the entry into the Decoration Services Framework Agreement not only ensures a steady supply of services, but the non-exclusive arrangement under the Decoration Services Framework Agreement also affords the Group flexibility to engage other service providers for the provision of interior decoration and fitting-out services if the terms offered by the Helisheng Group are not the most favourable to the Group.

Having considered the above and the capabilities of Helisheng (Shanghai) and its better understanding of the business and operational needs of the Group, the Directors believe that the entry into the Decoration Services Framework Agreement would facilitate the overall operations and growth of the Group's property development and sales business.

The Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) are of the view that the Decoration Services Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Lin and Ms. Cheng are considered to have a material interest in the Decoration Services Framework Agreement and the transactions contemplated thereunder and have accordingly abstained from voting on the relevant Board resolutions in respect of the approval of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save as disclosed above, none of the Directors have a material interest in the Decoration Services Framework Agreement and the transactions contemplated thereunder and none of them have abstained from voting on the relevant Board resolutions.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Lin, through companies wholly-owned by him, is interested in a total of 367,828,127 Shares, representing approximately 74.98% of the issued share capital of the Company.

As at the date of this announcement, Helisheng (Shanghai) is directly owned as to 51%, 16%, 20% and 13% by Pingtan Binhai, Mr. Cheng Huan (the brother of Ms. Cheng and brother-in-law of Mr. Lin), Mr. Zhang Min and Mr. Liu Xiaowen (the latter two are Independent Third Parties), respectively, and Pingtan Binhai is directly owned by Mr. Lin and Ms. Cheng as to 90.1% and 9.9%, respectively. Therefore, Helisheng (Shanghai) is an associate of Mr. Lin and the transactions contemplated under the Decoration Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions contemplated under the Decoration Services Framework Agreement is more than 5%, the Decoration Services Framework Agreement (including the proposed annual caps) will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.



The Company will convene the EGM for the purpose of, among other things, considering and if thought fit, approving the Decoration Services Framework Agreement (including the proposed annual caps).

A circular containing, among other things, (i) further information on the Decoration Services Framework Agreement and the proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or before 8 October 2021, as additional time is required by the Company to finalise and complete the circular.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“associate”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Sansheng Holdings (Group) Co. Ltd., a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Decoration Services Framework Agreement”	the interior decoration and fitting-out services framework agreement entered into between the Company and Helisheng (Shanghai) on 3 September 2021
“Directors”	the directors of the Company
“Effective Date”	the date on which the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are approved by the Independent Shareholders at the EGM
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be held for the purpose of, among others, considering and, if thought fit, approving the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Group”	the Company and its subsidiaries

“Helisheng (Shanghai)”	Helisheng (Shanghai) Building Decoration Co., Ltd.* (合力勝(上海)建築裝飾有限責任公司), a limited liability company established in the PRC on 29 September 2020
“Helisheng Group”	Helisheng (Shanghai) and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee established by the Board, consisting of all the independent non-executive Directors (i.e. Mr. Pan Dexiang, Mr. Yuan Chun and Mr. Zhu Hongchao) to advise the Independent Shareholders on the terms of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Financial Adviser”	Red Sun Capital Limited, 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 (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	the Shareholders other than (i) Mega Regal; and (ii) any other Shareholders who have a material interest in the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mega Regal”	Mega Regal Limited, which is indirectly wholly owned by Mr. Lin and the controlling Shareholder holding approximately 74.98% of the issued share capital of the Company as at the date of this announcement

“Mr. Lin”	Mr. Lin Rongbin (林榮濱), chairman of the Board and an executive Director and the spouse of Ms. Cheng
“Ms. Cheng”	Ms. Cheng Xuan (程璇), an executive Director and the spouse of Mr. Lin
“Pingtan Binhai”	Pingtang Binhai Investment Co., Ltd.* (平潭濱海投資有限公司), a limited liability company established in the PRC on 11 November 2020
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 3 September 2021

*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. Zhu Hongchao.*

\* *For identification purposes only*