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If you have sold or transferred all your shares in **Sansheng Holdings (Group) Co. Ltd.**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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
AND
NOTICE OF EGM**

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



紅日資本有限公司
RED SUN CAPITAL LIMITED

Capitalised terms used on this cover page have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A notice convening the EGM to be convened and held at Zhiyuan Conference Room on 6th Floor, Sansheng Group Building, Block 8, 18 Xinghong Road, Minhang District, Shanghai, the PRC on Monday, 18 October 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

29 September 2021

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DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 3 September 2021 in relation to, among other things, the Decoration Services Framework Agreement
“Articles”	the memorandum and articles of association of the Company
“associate(s)”	has the meaning ascribed to it under 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 to it 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 director(s) 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”	an extraordinary general meeting of the Company to be convened and held at Zhiyuan Conference Room on 6th Floor, Sansheng Group Building, Block 8, 18 Xinghong Road, Minhang District, Shanghai, the PRC on Monday, 18 October 2021 at 11:00 a.m. 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

DEFINITIONS

“HK\$” or “HKD”	Hong Kong dollars, 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” or “Red Sun”	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 SFO, 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
“Latest Practicable Date”	24 September 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained herein
“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 Latest Practicable Date
“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

DEFINITIONS

“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 circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

* For identification purpose only

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Lin Rongbin

Ms. Cheng Xuan

Non-executive Directors:

Mr. Xiao Zhong

Mr. Xu Jianwen

Independent Non-executive Directors:

Mr. Pan Dexiang

Mr. Yuan Chun

Mr. Zhu Hongchao

Registered Office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Room 3207

The Gateway Tower 6

Tsim Sha Tsui

Kowloon, Hong Kong

29 September 2021

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the continuing connected transactions contemplated under the Decoration Services Framework Agreement.

The purpose of this circular is to provide you with, 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.

LETTER FROM THE BOARD

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 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 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.

LETTER FROM THE BOARD

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 and 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 respect of its tendering procedures, the Group shall receive at least three applications from the bidders (at least two of whom shall be Independent Third Parties) and then select the bidder most suitable for the project based on its proposed fee, services scope, capability, technical advantages, relevant experience, delivery schedule and quality of services with whom to enter into a definitive agreement for the provision of the relevant services. The relevant assessment shall be carried out by the project department and costing department of the Group.

In respect of solicitation of quotations, the Group shall solicit at least three contemporaneous quotations from service providers (at least two of whom shall be Independent Third Parties) based on the specific property project's need for interior decoration and fitting-out services and select the candidate most suitable for the project based on its proposed fee, services scope, capability, technical advantages, relevant experience, delivery schedule and quality of services with whom to enter into a definitive agreement for the provision of the relevant services. The relevant assessment shall be carried out by the project department and costing department of the Group.

LETTER FROM THE BOARD

In either case, the Group ensures that the prices and terms of the definitive 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.

The tendering and/or quotation solicitation procedures and the award of definitive decoration contracts shall also be governed by the internal control procedures as set out in the paragraph headed "Internal Control" below. On this basis, the Directors consider that the methods and procedures adopted by the Group can ensure that the transactions contemplated under the Decoration Services Framework Agreement will be conducted on normal commercial terms and in a manner not prejudicial to the interests of the Company and its minority Shareholders.

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 circular.

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:

Period	Annual cap
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

LETTER FROM THE BOARD

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 for the Group's property development projects;
- (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 available for pre-sale and expected to be completed during the years ending 31 December 2021, 2022 and 2023 as follows:

	Residential units	Sales offices and related property unit showrooms
2021	(i) one existing residential and commercial property development project which is expected to be completed during the year ending 31 December 2021 with an estimated gross floor area ("GFA") that requires interior decoration and fitting-out services of approximately 74,000 sq.m., comprising approximately 780 units	(ii) five sales offices and related property unit showrooms, the relevant project of which is located in Huizhou, Yantai and Shantou, the PRC, based on the potential property development projects available for pre-sale during the year ending 31 December 2021
2022	(i) four existing residential and/or commercial property development projects located in Zhejiang and Jiangsu, the PRC which are expected to be completed during the year ending 31 December 2022, with an aggregated GFA that requires interior decoration and fitting-out services of approximately 330,000 sq.m., comprising approximately 3,000 units	(ii) ten sales offices and related property unit showrooms, based on the potential property development projects across various cities in the PRC which are expected to reach the pre-sale stage during the year ending 31 December 2022
2023	(i) eight existing residential and/or commercial property development projects in various cities in the PRC which are expected to be completed during the year ending 31 December 2023, with an aggregated GFA that requires interior decoration and fitting-out services of approximately 720,000 sq.m., comprising approximately 6,300 units	(ii) 15 sales offices and related property unit showrooms based on the potential property development projects across various cities in the PRC which are expected to reach the pre-sale stage during the year ending 31 December 2023

LETTER FROM THE BOARD

- (iii) an expected annual growth rate in the labour and material costs in China of approximately 5%;
- (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 of not more than 10% 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. In particular, in respect of solicitation of quotations, the Group would solicit at least three contemporaneous quotations from service providers, and in respect of tenders, the Group would receive at least three applications from the bidders 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 interest 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

LETTER FROM THE BOARD

- (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 and 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 (including the independent non-executive Directors) 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.

LETTER FROM THE BOARD

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 Latest Practicable Date, Mr. Lin, through companies wholly-owned by him, was interested in a total of 367,828,127 Shares, representing approximately 74.98% of the issued share capital of the Company.

As at the Latest Practicable Date, Helisheng (Shanghai) was 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 was 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.

RECOMMENDATION

After taking into account the view of the Independent Board Committee as set out in this circular and the reasons for and benefits of the transactions contemplated under the Decoration Services Framework Agreement, the Directors are of the view that the terms of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Decoration Services Framework Agreement (including the proposed annual caps) at the EGM.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Zhiyuan Conference Room on 6th Floor, Sansheng Group Building, Block 8, 18 Xinghong Road, Minhang District, Shanghai, the PRC on Monday, 18 October 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). The ordinary resolution proposed at the EGM will be determined by way of poll by the Independent Shareholders.

Pursuant to Rule 14A.36 of the Listing Rules, all Shareholders with a material interest in the transactions contemplated under the Decoration Services Framework Agreement are required to abstain from voting at the EGM. Mega Regal (which is indirectly wholly-owned by Mr. Lin) will abstain from voting at the EGM in respect of the ordinary resolution approving the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). As far as the Company is aware, having made all reasonable enquiries, as of the Latest Practicable Date, save for Mega Regal which held 367,828,127 Shares (representing approximately 74.98% of the issued share capital of the Company), no other Shareholder had a material interest in the transactions contemplated under the Decoration Services Framework Agreement.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the additional information set out in the appendix to this circular and the notice of the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

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)

29 September 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION IN RELATION TO DECORATION SERVICES FRAMEWORK AGREEMENT

We refer to the circular of the Company dated 29 September 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Red Sun has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having considered the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), and having taken into account the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter dated 29 September 2021, we consider that the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed at the EGM approving the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the appendix to the Circular.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Pan Dexiang

Mr. Yuan Chun

Mr. Zhu Hongchao

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in relation to the Decoration Services Framework Agreement for inclusion in this circular.



红日资本有限公司
RED SUN CAPITAL LIMITED

Unit 3303, 33/F, West Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

29 September 2021

*To: The Independent Board Committee and the Independent Shareholders of
Sansheng Holdings (Group) Co. Ltd.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO DECORATION SERVICES FRAMEWORK AGREEMENT

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Decoration Services Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 29 September 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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.

As at the Latest Practicable Date, 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. Helisheng (Shanghai) is directly owned 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

Pursuant to Rule 14A.36 of the Listing Rules, all Shareholders with a material interest in the transactions contemplated under the Decoration Services Framework Agreement are required to abstain from voting at the EGM. Mega Regal (which is indirectly wholly owned by Mr. Lin) will abstain from voting at the EGM in respect of the ordinary resolution approving the Decoration Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). As far as the Company is aware, having made all reasonable enquiries, as of the Latest Practicable Date, save for Mega Regal which held 367,828,127 Shares (representing approximately 74.98% of the issued share capital of the Company), no other Shareholder had a material interest in the transactions contemplated under the Decoration Services Framework Agreement.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises seven Directors, of which Mr. Lin Rongbin and Ms. Cheng Xuan are executive Directors, Mr. Xiao Zhong and Mr. Xu Jianwen are non-executive Directors, Mr. Pan Dexiang, Mr. Yuan Chun and Mr. Zhu Hongchao are independent non-executive Directors.

The Independent Board Committee comprising all the aforementioned independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Decoration Services Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Helisheng Group and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Decoration Services Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder.

In the previous two years, save for this appointment as independent financial adviser, Red Sun Capital Limited has not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company for any transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and the Helisheng Group and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true, accurate, valid and complete in all material respects at the time they were made and given and continue to be so as at the Latest Practicable Date. We have also assumed that all the opinions, beliefs and representations for matters relating to the Group and the Helisheng Group made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry.

We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular. We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truthfulness, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company, the Helisheng Group and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Decoration Services Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder. Except for the inclusion in the Circular, this letter not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Decoration Services Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

As set out in the Letter from the Board, the Group is principally engaged in property development and sales, property investment, hotel operation, construction and design services, consultation services and project management services.

Set out below is a summary of the Group's operating results by activities, extracted from the published annual report of the Company for the year ended 31 December 2020 (the "2020 Annual Report") and the interim report of the Company for the six months ended 30 June 2021 (the "2021 Interim Report"), respectively:

Summary of the Group's operating results by business activities:

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2020	2020	2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>(restated)</i>		<i>(restated)</i>	
	<i>(Note)</i>		<i>(Note)</i>	
<i>Revenue from contracts with customers</i>				
<i>within the scope of HKFRS 15</i>				
– Sales of properties	2,237.4	8,646.2	1,659.5	4,965.7
– Hotel revenue	8.7	22.9	6.4	18.5
– Construction and design services income	–	20.1	13.7	38.1
– Consultation service income	–	–	–	45.4
– Project management services	–	–	–	14.3
<i>Revenue from other sources</i>				
– Gross rentals from investment properties	91.5	89.4	37.2	49.8
Total revenue	2,337.6	8,778.6	1,716.8	5,131.8
Gross profit	883.4	2,497.9	690.3	1,106.3
(Loss)/profit for the year/period	(3.0)	850.9	131.7	651.8

Note: The Group has restated the comparative information as a result of the business combination under common control. For further details, please refer to the 2020 Annual Report and 2021 Interim Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2020 compared to the year ended 31 December 2019¹

As disclosed in the 2020 Annual Report, revenue of the Group increased from approximately RMB2,337.6 million for the year ended 31 December 2019 to approximately RMB8,778.6 million for the year ended 31 December 2020, representing an increase of approximately 275.5%. Such increase was mainly attributable to the increase in revenue derived from sales of properties of approximately 286.4% from approximately RMB2,237.4 million to approximately RMB8,646.2 million during the year ended 31 December 2020, as a result of the increase in number of properties completed and delivered when compared to the year ended 31 December 2019. The delivered property projects mainly comprised of properties located at Chengdu, Fuzhou, Jinan, Ningde, Qingdao and Zhangzhou, the PRC. Despite the increase in revenue, the Group recorded a decrease in gross profit margin from approximately 37.8% for the year ended 31 December 2019 to approximately 28.5% for the year ended 31 December 2020, which was mainly attributable to the lower average selling price per sq.m. delivered in 2020. For the year ended 31 December 2020, the Group recorded a profit of approximately RMB850.9 million, while a loss of approximately RMB3.0 million was recorded for the year ended 31 December 2019.

For the six months ended 30 June 2021 compared to the six months ended 30 June 2020¹

As disclosed in the 2021 Interim Report, revenue of the Group increased from approximately RMB1,716.8 million for the six months ended 30 June 2020 to approximately RMB5,131.8 million for the six months ended 30 June 2021, representing an increase of approximately 198.9%. Such increase was mainly attributable to the increase in revenue derived from sales of properties of approximately 199.2% from approximately RMB1,659.5 million to approximately RMB4,965.7 million during the six months ended 30 June 2021, as a result of the increase in properties delivered in the first half of 2021, when compared to the first half of 2020. The delivered property projects mainly comprised of properties located at Fuzhou, Nantong and Qingdao, the PRC. Despite the increase in revenue, the Group recorded a decrease in gross profit margin from approximately 40.2% for the six months ended 30 June 2020 to approximately 21.6% for the six months ended 30 June 2021, which was mainly attributable to the comparatively low gross profit margin of the properties delivered in the first half of 2021, when compared to the first half of 2020. For the six months ended 30 June 2021, the Group recorded a profit of approximately RMB651.8 million, representing an increase of approximately 394.9% as compared to the profit of approximately RMB131.7 million for the six months ended 30 June 2020.

¹ The Group restated the comparative information as a result of the business combination under common control. For further details, please refer to the 2020 Annual Report and 2021 Interim Report.

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Summary of consolidated statement of financial position of the Group

	As at 31 December		As at 30 June
	2019	2020	2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>(restated)</i>		
	<i>(Note)</i>		
Total assets	33,722.2	56,576.3	60,087.9
– Non-current assets	3,887.9	4,957.3	5,288.9
– Current assets	29,834.3	51,619.0	54,799.0
Total liabilities	31,528.5	50,414.4	52,148.0
– Non-current liabilities	6,111.1	16,503.6	13,821.7
– Current liabilities	25,417.4	33,910.8	38,326.3
Total equity attributable to equity shareholders of the Company	1,937.1	2,059.1	2,590.6

Note: The Group restated the comparative information as a result of the business combination under common control. For further details, please refer to the 2020 Annual Report.

The Group's total assets increased from approximately RMB33,722.2 million as at 31 December 2019 to approximately RMB56,576.3 million as at 31 December 2020 which was mainly attributable to (i) the increase in inventories and other contract costs of approximately 51.1% from approximately RMB25,361.7 million as at 31 December 2019 to approximately RMB38,318.3 million as at 31 December 2020; (ii) the increase in cash and cash equivalents of approximately 337.2% from RMB1,689.3 million as at 31 December 2019 to approximately RMB7,385.9 million as at 31 December 2020; and (iii) the increase in trade and other receivables of approximately 166.1% from RMB1,891.5 million as at 31 December 2019 to approximately RMB5,033.5 million as at 31 December 2020. The Group's total liabilities also increased from approximately RMB31,528.5 million as at 31 December 2019 to approximately RMB50,414.4 million as at 31 December 2020, which was mainly attributable to (i) the increase in bank loans and other borrowings of approximately RMB7,246.7 million comparing to the respective figures as at 31 December 2019; and (ii) the increase in contract liabilities of approximately RMB6,178.3 million. As a result of the above and factors as set out in the 2020 Annual Report, the total equity attributable to equity Shareholders of the Company increased from approximately RMB1,937.1 million as at 31 December 2019 to approximately RMB2,059.1 million as at 31 December 2020.

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As at 30 June 2021, the Group's total assets further increased to approximately RMB60,087.9 million which was mainly attributable to (i) the increase in inventories and other contract costs of approximately 3.9% from approximately RMB38,318.3 million as at 31 December 2020 to approximately RMB39,794.7 million as at 30 June 2021; and (ii) the increase in cash and cash equivalents of approximately 9.6% from RMB7,385.9 million as at 31 December 2020 to approximately RMB8,095.3 million as at 31 December 2020. It was also noted that the Group's total liabilities increased to approximately RMB52,148.0 million as at 30 June 2021, which was mainly attributable to the increase in contract liabilities of approximately RMB4,452.7 million. As a result of the above and factors as set out in the 2021 Interim Report, the total equity attributable to equity Shareholders of the Company increased from approximately RMB2,059.1 million as at 31 December 2020 to approximately RMB2,590.6 million as at 30 June 2021.

2. Background information of Helisheng Group

As set out in the Letter from the Board, Helisheng (Shanghai) is principally engaged in the provision of interior decoration and fitting out services. As advised by the Management, as at the Latest Practicable Date, Helisheng Group had over 300 employees and had obtained various qualifications, including but not limited to, professional contracting of construction decoration project – Class I (建築裝修裝飾工程專業承包一級) and main contractor in general construction work – Class III (建築工程施工總承包三級).

3. Overview of the PRC economy and urbanisation

The table below sets out a summary of the national gross domestic product (“GDP”) and urbanisation rate from 2018 to 2020 in the PRC:

	2018	2019	2020
<i>(approximate)</i>			<i>(Note)</i>
National GDP (<i>RMB trillion</i>)	91.9	98.7	100.9
Total population (<i>million</i>)	1,395.4	1,400.1	1,411.8
Urban population (<i>million</i>)	831.4	848.4	902.0
Urbanisation rate (%)	59.6	60.1	63.9

Source: National Bureau of Statistics of China

Note: Extracted from the 7th National Population Census of the PRC

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As disclosed on the website of the National Bureau of Statistics of China* (國家統計局) (<http://data.stats.gov.cn>), year-on-year growth in GDP for the PRC in 2020 was approximately 2.3%, down from approximately 6.0% in 2019, as COVID-19 had caused temporary adverse impact on the PRC economy at national and regional levels. Nonetheless, the PRC economy has continued to recover and recorded a period-on-period growth in GDP of approximately 12.7% compared to the six months ended 30 June 2020, based on preliminary data published by the National Bureau of Statistics of China in July 2021.

Pursuant to the 14th Five Year Plan (the “14th FYP”)* (十四五規劃) announced by the PRC government in March 2021, the target urbanisation rate of the resident population* (常住人口城鎮化率) for the next five years from 2021 is approximately 65.0%. In this connection, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing two strategies, namely deepen reform of the household registration system* (深化戶籍制度改革) and improve the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) improve urbanisation layout* (完善城鎮化空間佈局) by implementing five strategies, namely promote integrated development of conurbations* (推動城市群一體化發展), construct modernised metropolitan areas* (建設現代化都市圈), optimise and enhance functions of central urban areas in mega-sized-cities* (優化提升超大特大城市中心城區功能), improve habitability and employability in large and medium-sized cities* (完善大中城市宜居宜業功能) and promote urbanisation construction with counties/cities as major carriers* (推進以縣城為重要載體的城鎮化建設).

In addition, the PRC government has also implemented various policy measures in the past, at national and regional levels, to promote long term sustainability of the PRC property market, which included but not limited to (i) making adjustments to the benchmark interest rate by the People’s Bank of China; (ii) amending the minimum down payment for buyers of second homes; (iii) imposing limitation on property purchases* (限購令); and (iv) minimum holding period before resale. Accordingly, the development of the PRC property market continues to be exposed to changes in PRC government policies at national and regional levels, as well as market volatility and is to an extent affected by the overall economic development of the PRC. In view of the above, the Management considers that the overall market outlook for the construction industry, including the real estate development sector, in the PRC will remain positive in the long term.

4. Reasons for and benefits of entering into the Decoration Services Framework Agreement

As set out in the Letter from the Board, the Company is an investment holding company. The Company’s subsidiaries are principally engaged in property development and sales, property investment, hotel operation and 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.

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In anticipation that the aggregate annual amount in respect of the provision of the interior decoration and fitting-out services by the Helisheng Group to 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, subject to the terms offered by the Helisheng Group and the other service providers.

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

Having considered that, (i) the Group is principally engaged in property development and sales, property investment, hotel operations and construction and design services; (ii) the transactions contemplated under the Decoration Services Framework Agreement are a furtherance of the Group's principal businesses; (iii) the proposed annual caps, if approved, would facilitate the transactions contemplated under the Decoration Services Framework Agreement for the remainder of the year ending 31 December 2021 and two years ending 31 December 2022 and 2023 to ensure that they can be carried out in an effective and efficient manner without the need for the Company to seek Shareholders' approval on a transaction-by-transaction basis; (iv) the Group has the right but not the obligation to seek the relevant services from the Helisheng Group at terms determined in accordance with the respective pricing policies; and (v) the award of contracts under the Decoration Services Framework Agreement is subject to internal control procedures and the stated pricing policy to ensure terms of the definitive decoration services agreements are on normal commercial terms, we concur with the Directors' view that the transactions contemplated under the Decoration Services Framework Agreement are in the interests of the Company and the Shareholders as a whole.

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5. Principal terms of the Decoration Services Framework Agreement

The principal terms of the Decoration Services Framework Agreement have been extracted from the Letter from the Board 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 and terms and conditions contained in the Decoration Services Framework Agreement.

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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 respect of its tendering procedures, the Group shall receive at least three applications from the bidders (at least two of whom shall be Independent Third Parties) and then select the bidder most suitable for the project based on its proposed fee, services scope, capability, technical advantages, relevant experience, delivery schedule and quality of services with whom to enter into a definitive agreement for the provision of the relevant services. The relevant assessment shall be carried out by the project department and costing department of the Group.

In respect of solicitation of quotations, the Group shall solicit at least three contemporaneous quotations from service providers (at least two of whom shall be Independent Third Parties) based on the specific property project's need for interior decoration and fitting-out services and select the candidate most suitable for the project based on its proposed fee, services scope, capability, technical advantages, relevant experience, delivery schedule and quality of services with whom to enter into a definitive agreement for the provision of the relevant services. The relevant assessment shall be carried out by the project department and costing department of the Group.

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In either case, the Group ensures that the prices and terms of the 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.

The tendering and/or quotation solicitation procedures and the award of definitive decoration contracts shall also be governed by the internal control procedures as set out in the paragraph headed "**Internal Control**" in the Letter from the Board. On this basis, the Directors consider that the methods and procedures adopted by the Group can ensure that the transactions contemplated under the Decoration Services Framework Agreement will be conducted on normal commercial terms and in a manner not prejudicial to the interests of the Company and its minority Shareholders.

Further details of the principal terms of the Decoration Services Framework Agreement are set out in the Letter from the Board.

6. Pricing basis and internal procedures of the Group in respect of the decoration services

With a view to assess the pricing basis and internal procedures of the Group in connection with the Decoration Services Framework Agreement, we have obtained the relevant internal control policy from the Management. Pursuant to the pricing policy of the Decoration Services Framework Agreement, prior to entering into definitive agreement(s), the Group shall either (i) hold tenders to select the service provider; or (ii) solicit contemporaneous quotations from not less than three service providers, to ensure that the prices and terms of 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.

Based on our discussion with the Management, we understand that the project department and costing department will assess the suitability of a decoration service provider prior to soliciting them to provide a quotation for the relevant services, with reference to selection criteria including, where applicable, (i) their qualifications; (ii) financial ability; (iii) technical capability; (iv) cooperation record; and (v) quality of work and business management capability.

In respect of its tendering procedures, the Group shall receive at least three applications from the bidders (at least two of whom shall be Independent Third Parties) and then select the bidder most suitable for the project based on its proposed fee, services scope, capability, technical advantages, relevant experience, delivery schedule and quality of services with whom it shall enter into a definitive agreement for the provision of the relevant services. The relevant assessment shall be carried out by the project department and costing department of the Group.

In respect of solicitation of quotations, the Group shall solicit at least three contemporaneous quotations from service providers (at least two of whom shall be Independent Third Parties) based on the specific property project's need for interior decoration and fitting-out services and select the candidate most suitable for the project based on its proposed fee, services scope, capability, technical advantages, relevant experience, delivery schedule and quality of services with whom it shall enter into a definitive agreement for the provision of the relevant services. The relevant assessment shall be carried out by the project department and costing department of the Group.

It is also noted that 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 on each individual definitive agreement to be agreed by the parties.

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Furthermore, we also noted that transactions under the Decoration Services Framework Agreement will be monitored after they are in force. The finance department of the Group is responsible for monitoring the transactions under the Decoration Services Framework Agreement and that the relevant proposed annual caps are not exceeded. In addition, the legal department of the Group will conduct 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 Shareholders as a whole.

As set out in the Letter from the Board, the independent non-executive Directors and the auditors of the Group will be provided with the (i) Decoration Services Framework Agreement; (ii) agreements entered into between the Group and Independent Third Parties for the provision of similar interior decoration and fitting-out services; and (iii) 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.

The auditors of the Group 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.

In addition, we also understand from the Management that the tendering and/or quotation solicitation procedures and the award of decoration service contracts shall be governed by the internal control procedures as set out in the Letter from the Board, and the same procedures and assessment would also be applied to tendering and/or quotation submitted by Independent Third Parties. Furthermore, we noted that the aforesaid selection processes and the relevant assessments which shall be carried out / managed by the project department and costing department as part of the Group's internal control procedures, which will involve (i) tender procedures; or (ii) quotation from not less than three service providers, at least two of whom shall be Independent Third Parties, as further detailed above, and the Group shall ensure that the terms of decoration services contracts under the Decoration Services Framework Agreement are not less favourable than terms available from Independent Third Parties for similar transactions. In addition, we have discussed and understand from the Management that the auditor of the Company would also conduct an annual review on the pricing and the proposed annual caps and the independent non-executive Directors will conduct regular reviews of the status of the transactions contemplated under the Decoration Services Framework Agreement. On this basis, provided that the relevant internal control policies are effectively implemented and executed, we are of the view that such policies would ensure the transactions under the Decoration Services Framework Agreement are conducted on normal commercial terms which are fair and reasonable.

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7. Basis for determining the proposed 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:

Period	Annual cap
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

As set out in the Letter from the Board, 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;
- (ii) the anticipated demand for interior decoration and fitting-out services by the Group based on the current development plan of the existing property development projects available for pre-sale and expected to be completed during the years ending 31 December 2021, 2022 and 2023 as follows:

	Residential units	Sales offices and related property unit showrooms
2021	(i) one existing residential and commercial property development project which is expected to be completed during the year ending 31 December 2021 with an estimated GFA that requires interior decoration and fitting-out services of approximately 74,000 sq.m., comprising approximately 780 units	(ii) five sales offices and related property unit showrooms, the relevant project of which is located in Huizhou, Yantai and Shantou, the PRC, based on the potential property development projects available for pre-sale during the year ending 31 December 2021
2022	(i) four existing residential and/or commercial property development projects located in Zhejiang and Jiangsu, the PRC which are expected to be completed during the year ending 31 December 2022, with an aggregated GFA that requires interior decoration and fitting-out services of approximately 330,000 sq.m., comprising approximately 3,000 units	(ii) ten sales offices and related property unit showrooms, based on the potential property development projects across various cities in the PRC which are expected to reach the pre-sale stage during the year ending 31 December 2022
2023	(i) eight existing residential and/or commercial property development projects in various cities in the PRC which are expected to be completed during the year ending 31 December 2023, with an aggregated GFA that requires interior decoration and fitting-out services of approximately 720,000 sq.m., comprising approximately 6,300 units	(ii) 15 sales offices and related property unit showrooms based on the potential property development projects across various cities in the PRC which are expected to reach the pre-sale stage during the year ending 31 December 2023

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- (iii) an expected annual growth rate in the labour and material costs in China of approximately 5%;
- (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 of not more than 10% 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.

We had discussed and understood from the Management that the GFA of properties of the Group that would require interior decoration and fitting-out services was estimated after taking into consideration of factors including but not limited to, the existing portfolio of unsold properties of the Group, the property development projects of the Group currently being sold/to be sold in the market, the upcoming scheduled property development projects of the Group and the expected property development projects of the Group to be launched in the years of 2021 to 2023.

In connection with the proposed annual caps for the each of the year ending 31 December 2021, 2022 and 2023, we had obtained and reviewed a schedule (the “**Decoration Project Schedule**”) prepared by the Management, setting out, among others, the existing property development projects which would require interior decoration and fitting-out services during the years ending 31 December 2021, 2022 and 2023, respectively.

We noted from the Decoration Project Schedule that the proposed annual cap for Decoration Services for the year ending 31 December 2021 (the “**2021 Annual Cap**”) primarily comprised of (i) the interior decoration and fitting-out services to be provided to the Group by members of the Helisheng Group under the three contracts, which have been awarded to a member of the Helisheng Group, with an aggregate contract sum of approximately RMB1.38 million; (ii) one existing residential and commercial property development project with an estimated GFA in respect of interior decoration and fitting-out services of approximately 74,000 sq.m., comprising approximately 780 units; and (iii) five sales offices and related property unit showrooms, the relevant project of which is located in Huizhou, Yantai and Shantou, the PRC, based on the potential property development projects available for pre-sale during the year ending 31 December 2021.

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As for the proposed annual cap for the year ending 31 December 2022 (the “**2022 Annual Cap**”), it was primarily estimated based on (i) four existing residential and/or commercial property development projects located in Zhejiang and Jiangsu, the PRC with an aggregate GFA that requires interior decoration and fitting-out services of approximately 330,000 sq.m., comprising approximately 3,000 units; and (ii) ten sales offices and related property unit showrooms based on the potential property development projects across various cities in the PRC which is expected to be reach the pre-sale stage during the year ending 31 December 2022.

With regard to the proposed annual cap for the ending 31 December 2023 (the “**2023 Annual Cap**”), it was determined after taking into consideration of, among others, (i) eight existing residential and/or commercial property development projects in various cities in the PRC, with an aggregate GFA that requires interior decoration and fitting-out services of approximately 720,000 sq.m., comprising approximately 6,300 units; and (ii) 15 sales offices and related property unit showrooms based on the potential property development projects across various cities in the PRC which is expected to reach the pre-sale stage during the year ending 31 December 2023.

In connection with our work done on the Decoration Project Schedule, (i) we noted that there are not less than nine, 14 and 23 property development projects for the years ending 31 December 2021, 2022 and 2023, respectively; (ii) we cross-checked the relevant details of the existing property development projects as set out in the Decoration Project Schedule against the project details as set out in the 2020 Annual Report; and (iii) we also noted from the Decoration Project Schedule that in connection with (a) the 2021 Annual Cap, the individual contract sum ranged from approximately RMB0.2 million to approximately RMB59.5 million (other than sales offices and related property unit showrooms related contracts which are estimated to be between RMB2.0 million to RMB2.5 million each); (b) the 2022 Annual Cap, the individual contract sum ranged from approximately RMB42.4 million to approximately RMB125.3 million (other than sales offices and related property unit showrooms related contracts which are estimated to be between RMB2.0 million to RMB2.5 million each); and (c) the 2023 Annual Cap, the individual contract sum ranged from approximately RMB10.6 million to approximately RMB194.3 million (other than sales offices and related property unit showrooms related contracts which are estimated to be between RMB2.0 million to RMB2.5 million each), respectively.

We also understand from the Management that the estimated contract sum of these project development projects, the sales offices and related property unit showrooms were determined with reference to, where applicable, (i) the historical price for similar interior decoration and fitting-out services; (ii) the market positioning of the subject property development project; (iii) the raw materials and labour expected to be involved; (iv) complexity of the requirements and specifications; (v) the content and volume of works; and (vi) the location of the projects.

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Furthermore, as advised by the Management, when determining the proposed annual caps, it was assumed that Helisheng (Shanghai) would not be awarded with all of the abovementioned property development projects, and such has been reflected in the proposed annual caps. On the other hand, as advised by the Management, to cater for any unexpected increase in the aforesaid transaction 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, a buffer of not more than 10% has been included in the proposed annual caps for each of the three years ending 31 December 2021, 2022 and 2023.

Having considered the above, we also noted that, (i) as set out in the annual reports for the year ended 31 December 2019 and 2020, the Group had a total of 22 and 52 property projects that are held for sale, under development and held for future development as at 31 December 2019 and 2020, respectively, which represented a significant increase of 30 property projects, such number of property projects was further increased to 56 as at 30 June 2021; (ii) total site area of the Group's land bank was approximately 1.4 million sq.m. and approximately 3.3 million sq.m. as at 31 December 2019 and 2020, respectively, representing an increase of approximately 135.7%, with the total site area of the Group's land bank further increased to approximately 3.6 million sq.m. as at 30 June 2021; (iii) out of the Group's property development projects and land bank, the planned total GFA amounted to approximately 4.3 million sq.m. and approximately 9.6 million sq.m. as at 31 December 2019 and 2020, respectively, which represented an increase of approximately 123.3%, such was further increased to approximately 10.6 million sq.m. as at 30 June 2021; (iv) the Group recorded year-on-year revenue growth of approximately 275.6% for the year ended 31 December 2020 compared to the corresponding prior year, and period-on-period revenue growth of approximately 198.9% for the six months ended 30 June 2021 compared to the corresponding six month period in the prior year; and (v) year-on-year cost of sales increase of approximately 331.9% for the year ended 31 December 2020 compared to the corresponding prior year, and period-on-period cost of sales growth of approximately 394.9% for the six months ended 30 June 2021 compared to the corresponding six month period in the prior year. On this basis, we consider the proposed annual caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Nevertheless, the Shareholders are advised that the proposed annual caps only represent an estimate by the Group based on the information available at the relevant time and is not an indication of actual costs to be incurred by the Group. In addition, the proposed annual caps would provide the Group with the flexibility but not the obligation to invite Helisheng Group to provide quotation/submit tender for the Group's interior decoration and fitting-out services and any award of contract under the Decoration Services Framework Agreement shall subject to the selection procedures as part of the Group's internal control.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

VI. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of entering into the Decoration Services Framework Agreement;
- (ii) pursuant to the Decoration Services Framework Agreement, the transactions contemplated thereunder are required for the Group's property development business, which in turn facilitates the furtherance of the Group's business;
- (iii) the transactions contemplated under the Decoration Services Framework Agreement shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, to be governed by the internal monitoring procedures implemented by the Group, so that the terms shall be no less favourable to the Group than those prices and terms available from independent third parties to the Group under the same conditions; and
- (iv) the basis for determining the proposed annual caps for the interior decoration and fitting-out services is reasonable, details of which are set out in the section headed "7. Basis for determining the proposed annual caps" in this letter,

we are of the view that the Decoration Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the proposed annual caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Decoration Services Framework Agreement (together with the proposed annual caps) at the EGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai ("Mr. Lai") is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as a sponsor. Mr. Lai has over 14 years of experience in the corporate finance industry, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

* For identification purpose only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares interested	Percentage of issued Shares
Mr. Lin	Interest of controlled corporation	367,828,127 ¹	74.98%
Ms. Cheng ²	Interest of spouse	367,828,127	74.98%

Notes:

1. Mega Regal is the beneficial owner of these Shares and the entire issued ordinary share capital of Mega Regal (comprising 8,501 ordinary shares) is owned by Modern Times Development Limited (“**Modern Times**”). The entire issued share capital of Modern Times (comprising 1 ordinary share), is in turn owned by Mr. Lin. By virtue of the SFO, Mr. Lin is deemed to be interested in the same parcel of Shares in which Mega Regal is interested. Mega Regal and Modern Times are also associated corporations of the Company.
2. Ms. Cheng is the spouse of Mr. Lin. By virtue of the SFO, Ms. Cheng is deemed to be interested in the same parcel of Shares in which Mr. Lin is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(B) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the following persons (other than Directors and chief executives of the Company) had interests or short positions in the Shares and underlying Shares, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares interested	Percentage of issued Shares
Mega Regal	Beneficial owner	367,828,127 ¹	74.98%
Modern Times	Interest of controlled corporation	367,828,127 ¹	74.98%
Dongxing Securities (Hong Kong) Financial Holdings Limited (“ DSHK ”)	Person having a security interest in Shares	234,231,775 ²	47.74%
	Beneficial owner	17,236,625	3.51%
Dongxing Securities Co., Ltd. (“ DSCL ”)	Interest of controlled corporation	251,468,400 ³	51.26%
China Orient Asset Management Co., Ltd. (“ China Orient ”)	Interest of controlled corporation	251,468,400 ³	51.26%
Springboard Holdings Limited (“ Springboard ”)	Beneficial owner	41,784,975 ⁴	8.52%
Mr. Lau Luen Hung, Thomas (“ Mr. Lau ”)	Interest of controlled corporation	41,784,975 ⁴	8.52%

Notes:

1. Mega Regal is wholly owned by Modern Times, which is in turn wholly owned by Mr. Lin. Mr. Lin is also a director of Mega Regal and Modern Times. By virtue of the SFO, Mr. Lin and Modern Times are deemed to be interested in the same parcel of Shares in which Mega Regal is interested.
2. DSHK is the chargee of these Shares.
3. DSHK is wholly owned by DSCL, which is in turn owned as to 52.74% by China Orient. By virtue of the SFO, DSCL and China Orient are deemed to be interested in the same parcel of Shares in which DSHK is interested.
4. Springboard is wholly owned by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the same parcel of Shares in which Springboard is interested.

Save as disclosed above, as at Latest Practicable Date, the Directors were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

(i) Permitted Indemnity

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

For further details, please refer to the 2020 annual report of the Company and the Articles.

(ii) Revolving Facilities

Revolving facilities in the aggregate principal amount of RMB4,500 million were provided by Fuzhou Sansheng Property Co., Ltd.* (福州三盛置業有限公司) (“**Fuzhou Sansheng**”) to the Group on 18 August 2017 and 28 September 2017. Such revolving facilities were renewed and extended for two more years to 18 August 2022 and 28 September 2022, respectively, from the original maturity dates of 18 August 2020 and 28 September 2020, respectively. Fuzhou Sansheng is a company indirectly wholly owned by Mr. Lin and Ms. Cheng.

For further details, please refer to the 2020 annual report of the Company.

(iii) Design and Construction Services

On 24 April 2020, Fuzhou Jingya Decoration Engineering Co., Ltd.* (福州景雅裝飾工程有限責任公司) (“**Fuzhou JY**”), a wholly-owned subsidiary of the Company, entered into a framework agreement with Fuzhou Sansheng, pursuant to which Fuzhou JY agreed to provide, or procure its fellow subsidiaries to provide, design and construction services to Fuzhou Sansheng and its subsidiaries for a term from 24 April 2020 to 31 December 2022 (both days inclusive). Fuzhou Sansheng is a company indirectly wholly-owned by Mr. Lin and Ms. Cheng.

For further details, please refer to (i) the announcement of the Company dated 24 April 2020 and (ii) the 2020 annual report of the Company.

(iv) Loan

On 24 August 2020, Mr. Lin and Fuzhou Sansheng entered into a loan agreement (the “**Loan Agreement**”) with Fuzhou Bosheng Investment Co., Ltd.* (福州伯盛投資有限公司) (“**Fuzhou Bosheng**”), a non-wholly owned subsidiary of the Company, pursuant to which Fuzhou Sansheng agreed to provide funding to Fuzhou Bosheng and its subsidiaries (“**Fuzhou Bosheng Group**”) comprising (i) a RMB650 million non-interest-bearing loan to Fuzhou Bosheng Group in return for the Pledged Properties (as defined below) and the Share Pledge (as defined below) provided by Fuzhou Bosheng Group as security for loans obtained by private entities controlled by Mr. Lin from financial institutions in the PRC; 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 real estate properties held under Fuzhou Bosheng Group. The Loan Agreement is effective from 24 November 2020 to 31 October 2021, subject to the conditions pursuant to the Loan Agreement.

“Pledged Properties” refers to certain properties pledged by Fujian Minqiao Real Estate Development Co., Ltd* (福建閩僑房地產開發有限公司) (“**Fujian Minqiao**”) and Yangzhou Sansheng Real Estate Development Co., Ltd* (揚州三盛房地產開發有限公司), both non-wholly owned subsidiaries of the Company, in relation to the due performance of repayment obligations of banking facilities obtained by other private entities controlled by Mr. Lin from financial institutions in the PRC.

“Share Pledge” refers to the share pledge provided by 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.

For further details, please refer to (i) the circular of the Company dated 25 September 2020 and (ii) the 2020 annual report of the Company.

(v) Management and Other Related Services

On 30 April 2021, the Company entered into a construction management consultancy services framework agreement, design services consultancy framework agreement, operation management services framework agreement, operation systems software framework agreement and sales management services framework agreement with Sansheng Group Company Limited* (三盛集團有限公司) (“**SGCL**”), pursuant to which the Company agreed to provide, or procure its subsidiaries to provide, certain services to SGCL and its subsidiaries for a term from 1 May 2021 to 31 December 2023 (both days inclusive). SGCL is directly owned as to 90.1% by Mr. Lin and 9.9% by Ms. Cheng, respectively.

For further details, please refer to the announcement of the Company dated 30 April 2021.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Director had interests in certain businesses (apart from the businesses of the Company or its subsidiaries) which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules:

Name of Director	Name of company	Nature of interest in the company	Business of the company
Mr. Lin	Fujian Wuhe Construction Development Co., Ltd.* 福建五和建設發展有限公司	Being a director and shareholder	Real estate development
Mr. Lin	Yunsheng (Fujian) Real Estate Co., Ltd.* 運盛(福建)地產有限公司	Being a shareholder	Real estate development
Mr. Lin	Minhou County Headquarters Park Real Estate Co., Ltd.* 閩侯縣總部園房地產有限公司	Being a shareholder	Real estate development
Mr. Lin	Jinan Sansheng Real Estate Development Co., Ltd.* 濟南三盛房地產開發有限公司	Being a director and shareholder	Real estate development
Mr. Lin	Guan County Sansheng Real Estate Development Co., Ltd.* 固安縣三盛房地產開發有限公司	Being a director and shareholder	Real estate development
Mr. Lin	Huangshi Jiashunshengshi Property Co., Ltd.* 黃石佳舜盛世置業有限公司	Being a shareholder	Real estate development
Mr. Lin	Shandong Mengzhita Property Co., Ltd.* 山東夢之塔置地有限公司	Being a director and shareholder	Real estate development
Mr. Lin	Jinan Jindongfang Property Co., Ltd.* 濟南金東方置業有限公司	Being a director and shareholder	Real estate development
Mr. Lin	Fujian Gusheng Real Estate Development Co., Ltd.* 福建古盛房地產開發有限公司	Being a director and shareholder	Real estate development
Mr. Lin	Fuding Xinbisheng Real Estate Development Co., Ltd.* 福鼎新碧盛房地產開發有限公司	Being a shareholder	Real estate development
Mr. Lin	Zhangzhou Weijia Real Estate Development Co., Ltd.* 漳州市維佳房地產開發有限公司	Being a shareholder	Real estate development
Mr. Lin	Kunshan Binsheng Real Estate Development Co., Ltd.* 昆山濱盛房地產開發有限公司	Being a shareholder	Real estate development

Name of Director	Name of company	Nature of interest in the company	Business of the company
Mr. Lin	Nanjing Beisheng Property Co., Ltd.* 南京北盛置業有限公司	Being a shareholder	Real estate development
Mr. Lin	Zhangzhou Binbei Property Co., Ltd.* 漳州市濱北置業有限公司	Being a shareholder	Real estate development
Mr. Lin	Zhangzhou City Wankebinjiang Property Co., Ltd.* 漳州市萬科濱江置業有限公司	Being a shareholder	Real estate development
Mr. Lin	Fujian Sansheng Real Estate Development Co., Ltd.* 福建三盛房地產開發有限公司	Being a shareholder	Real estate development

The above companies and the Group are managed by separate and independent management respectively. In this respect, coupled with the diligence of the independent non-executive Directors (whose views carry significant weight in the Board's decisions) and the audit committee of the Company, the Group is capable of carrying out its business independently of, and at arm's length from, the businesses of the above companies. Having considered his/its ownership of property projects in the PRC, Mr. Lin, Modern Times and Mega Regal entered into a deed of non-competition on 1 November 2019 in favour of the Company (for the Company itself and for the benefit of each of the members of the Group) to safeguard the interests of the Company and the Shareholders as a whole. For further details, please refer to pages 106 and 107 of the 2020 annual report of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert which has given opinions and recommendations which are included in this circular:

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

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date up to which the latest published audited financial statements of the Group were made; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business of the Company in Hong Kong is situated at Room 3207, the Gateway Tower 6, Tsim Sha Tsui, Kowloon, Hong Kong.
- (b) The Hong Kong share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (c) The company secretary of the Company is Mr. Cheng Ching Kit (“**Mr. Cheng**”). Mr. Cheng is a manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and his primary corporate contact person at the Company is Mr. Xiao Zhong, one of the Directors. Mr. Cheng has over 8 years of experience in the corporate secretarial field and is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Decoration Services Framework Agreement will be available for inspection during normal business hours from 10:00 a.m. to 4:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Room 3207, The Gateway Tower 6, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular.

* *For identification purpose only*

NOTICE OF EGM

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Sansheng Holdings (Group) Co. Ltd. (the “**Company**” and together with its subsidiaries the “**Group**”) will be held at Zhiyuan Conference Room on 6th Floor, Sansheng Group Building, Block 8, 18 Xinghong Road, Minhang District, Shanghai, the PRC on Monday, 18 October 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

“**THAT**

- (a) the terms of the decoration and fitting-out services framework agreement (the “**Decoration Services Framework Agreement**”) entered into between the Company and Helisheng (Shanghai) Building Decoration Co., Ltd.* (合力勝(上海)建築裝飾有限責任公司) on 3 September 2021, the transactions contemplated under the Decoration Services Framework Agreement and the proposed annual caps for the three years ending 31 December 2021, 2022 and 2023 as described in the circular of the Company dated 29 September 2021 be and are hereby approved, confirmed and ratified in all respects; and
- (b) the directors of the Company be and are hereby authorised to do all such things and exercise all powers which they consider necessary, desirable or expedient in connection with the Decoration Services Framework Agreement and otherwise in connection with the implementation of the transactions contemplated thereunder including without limitation to any amendment, supplement or waivers of terms thereof.”

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

Hong Kong, 29 September 2021

NOTICE OF EGM

Registered Office:

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:

Room 3207
The Gateway Tower 6
Tsim Sha Tsui
Kowloon, Hong Kong

Notes:

1. The transfer books and register of members of the Company will be closed from Tuesday, 12 October 2021 to Monday, 18 October 2021, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 October 2021.
2. Any shareholder entitled to attend and vote at the EGM is entitled to appoint one, or if he/she/it is the holder of two or more shares, more proxies to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company.
3. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, shall be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person if he is subsequently able to be present and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be executed under seal or under the hand of an officer or attorney duly authorized to sign the same.
5. In the case of joint holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders is present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

As at the date of this notice, 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 purpose only*