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三盛控股

Sansheng Holdings (Group) Co. Ltd.

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三盛控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2183)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO DESIGN AND CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

THE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 24 April 2020 in relation to, among others, the continuing connected transactions between Fuzhou JY, an indirect wholly-owned subsidiary of the Company, and Fuzhou Sansheng under the Existing Agreement. The Existing Agreement will expire on 31 December 2022. In light of the Company's intention to continue entering into transactions of a similar nature from time to time after such expiry date, on 30 December 2022 (after trading hours), Fuzhou JY entered into the Framework Agreement with Fuzhou Sansheng, pursuant to which Fuzhou JY agreed to provide, or procure its fellow subsidiaries to provide, the Services to Fuzhou Sansheng Group for a term from 1 January 2023 to 31 December 2025 (both days inclusive) pursuant to the terms of the Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Lin is indirectly interested in total of 363,458,127 Shares, representing approximately 74.09% of the issued share capital of the Company. Fuzhou Sansheng was indirectly owned as to 90.1% by Mr. Lin, the chairman of the Board, an executive Director and a controlling shareholder of the Company and 9.9% by Ms. Cheng, an executive Director and the spouse of Mr. Lin. Therefore, Fuzhou Sansheng is an associate of the connected persons of the Company under the Listing Rules, and therefore a connected person of the Company. As a result, the entering into of the Framework Agreement between Fuzhou JY and Fuzhou Sansheng and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual caps for the transactions contemplated under the Framework Agreement are more than 0.1% but all are less than 5%, the entering into of the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 24 April 2020 in relation to, among others, the continuing connected transactions between Fuzhou JY, an indirect wholly-owned subsidiary of the Company, and Fuzhou Sansheng under the Existing Agreement. The Existing Agreement will expire on 31 December 2022. In light of the Company's intention to continue entering into transactions of a similar nature from time to time after such expiry date, on 30 December 2022 (after trading hours), Fuzhou JY entered into the Framework Agreement with Fuzhou Sansheng, pursuant to which Fuzhou JY agreed to provide, or procure its fellow subsidiaries to provide, the Services to Fuzhou Sansheng Group for a term from 1 January 2023 to 31 December 2025 (both days inclusive) pursuant to the terms of the Framework Agreement.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are summarised as follows:

Date: 30 December 2022 (after trading hours)

Parties: Fuzhou JY; and
Fuzhou Sansheng.

Subject matter: Pursuant to the Framework Agreement, (i) Fuzhou JY agreed to provide or procure its fellow subsidiaries (Fuzhou JY and its fellow subsidiaries, together the "**Relevant Fuzhou JY Parties**") to provide the Services to Fuzhou Sansheng Group; and (ii) Fuzhou Sansheng agreed to procure its subsidiaries to engage the Services from the Relevant Fuzhou JY Parties, in accordance with the terms of the Framework Agreement.

For each type of the Services, the relevant parties (i.e. the Relevant Fuzhou JY Parties on one hand, and Fuzhou Sansheng Group on the other hand) shall enter into specific contracts based on the relevant templates set out in the Framework Agreement, which will govern the detailed terms and conditions of the Services as set out below:

(i) ***Design services***

Pursuant to the specific contract for design services, the Relevant Fuzhou JY Parties will provide or procure to provide design services to Fuzhou Sansheng Group for its property development projects in the PRC. Such services include drafting and finalising design proposals and implementation plans, cooperation work during the construction stage, which will cover interior and exterior design works (for example, walkways, corridors, decorations, water supply and drainage and structures) of the property development projects.

(ii) ***Construction services***

Pursuant to the specific contract for construction services, the Relevant Fuzhou JY Parties will provide or procure to provide construction services to Fuzhou Sansheng Group for its property development projects in the PRC. Such services include landscaping, structures, decorations, roadworks, recreational facilities, water supply and drainage and electricity.

Term: From 1 January 2023 to 31 December 2025 (both days inclusive)

Pricing: Pursuant to the Framework Agreement, the total contract price for each of the Services will be calculated according to the pricing terms set out under the relevant specific contracts, which will be based on the Group's standard pricing for the provision of design and construction services to property development projects in the PRC, which are set out as follows:

(i) ***Design services***

For design services, the total contract price will be based on (i) the total area being serviced; and (ii) unit price per square metre being serviced, which is determined based on the class of the property development project.

The class of the relevant property development project is determined with reference to: (i) the type of property development project, and (ii) the targeted group of customers.

The unit price per square metre set against the relevant class is also determined with reference to: (i) the complexity of the design; (ii) time and design materials required to produce the design products; (iii) cost of manpower; (iv) applicable tax rate for design works in the PRC; and (v) any adjustments based on regular review of the pricing terms against prices charged by market competitors for similar services.

(ii) *Construction services*

For construction services, the total contract price will be based on (i) the total area being serviced; and (ii) the unit price per square metre being serviced, which is determined based on the class of the relevant property development project.

The class of the relevant property development project is determined with reference to: (i) the type of property development project; (ii) the estimated sale price of the property development project; (iii) the planning parameters such as floor area ratio and building density of the property development projects; and (iv) location of the property development project.

The unit price per square metre set against the relevant class is determined with reference to: (i) cost of raw materials based on indicative prices prescribed by the relevant local authorities and market prices; (ii) cost of machinery and equipment; (iii) geographical condition of the land on which buildings to be constructed; (iv) complexity of the construction works; (v) time and construction materials required to complete the construction works; (vi) cost of manpower; (vii) applicable tax rate for construction works in the PRC; and (viii) any adjustments based on regular review of the pricing terms against prices charged by market competitors for similar services.

In determining the service fees to be charged for the construction services, the Company would also make reference to the indicative prices guided by the Code of Bills of Quantities and Valuation for Construction Works (《建設工程工程量清單計價規範》) published by the MOHURD and the GAQSIQ, which includes a calculation matrix for computation and measurement of the quantities of construction work. Such indicative prices will be considered by the cost department of the Company when preparing the relevant fee quotes.

Historical transaction amounts

The historical transaction amounts of the Services provided by the Relevant Fuzhou JY Parties to Fuzhou Sansheng Group under the Existing Agreement for the period between 24 April 2020 and 31 December 2020, the year ended 31 December 2021 and the nine months ended 30 September 2022 are as follows:

	For the period between 24 April 2020 and 31 December 2020 (RMB million)	For the year ended 31 December 2021 (RMB million)	For the nine months ended 30 September 2022 (RMB million)
Design services provided to Fuzhou Sansheng Group	1.70 (equivalent to approximately HK\$1.91 million)	0.60 (equivalent to approximately HK\$0.67 million)	0.70 (equivalent to approximately HK\$0.79 million)
Construction services provided to Fuzhou Sansheng Group	26.60 (equivalent to approximately HK\$29.89 million)	50.10 (equivalent to approximately HK\$56.29 million)	25.60 (equivalent to approximately HK\$28.76 million)

The significant decrease in the transaction amounts for the period between 24 April 2020 and 30 September 2022 was primarily due to a drop in business demand under the effect of the COVID-19 pandemic and the implementation of control and lockdown measures to combat the COVID-19 outbreak in Mainland China. As a result, construction works in areas where the Company mainly operated in could not be carried out and/or suspended, and tendering processes had also been delayed.

Since the second half of 2021, real estate enterprises have been facing increasing financial pressure and the pace of real estate completion has slowed down, which in turn lowered the demand for design and construction services.

Annual caps and basis of the annual caps

The annual cap for each of the three years ending 31 December 2025 for the transactions contemplated under the Framework Agreement and basis thereof are as follows:

	For the year ending 31 December 2023 <i>(RMB million)</i>	For the year ending 31 December 2024 <i>(RMB million)</i>	For the year ending 31 December 2025 <i>(RMB million)</i>
Design services to be provided to Fuzhou Sansheng Group	10 (equivalent to approximately HK\$11.24 million)	10 (equivalent to approximately HK\$11.24 million)	10 (equivalent to approximately HK\$11.24 million)
Construction services to be provided to Fuzhou Sansheng Group	68 (equivalent to approximately HK\$76.40 million)	68 (equivalent to approximately HK\$76.40 million)	68 (equivalent to approximately HK\$76.40 million)

The annual caps for the Services are arrived at after taking into consideration of, among others, the following:

- (i) the historical transaction amounts of the Services for the period from 24 April 2020 to 30 December 2022 under the Existing Agreement;
- (ii) the anticipated demand for the Services by Fuzhou Sansheng Group based on the recent uplifting of COVID-19 restrictions in China, the expected gradual recovery of the Chinese real estate industry, and the current development plan of the existing property development projects of Fuzhou Sansheng Group for the next three financial years;
- (iii) the prevailing market prices for the relevant Service; and
- (iv) a buffer taking into account, among others, (a) the inflation expected during the term of the Framework Agreement; (b) the potential additional demand for the Services by Fuzhou Sansheng Group during the term of the Framework Agreement; and (c) the possibility of early or delay in revenue recognition due to the progress of the Services during the term of the Framework Agreement.

INTERNAL CONTROL

In order to ensure the transactions contemplated under the 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 the Shareholders as a whole, the Company has formulated the following internal control policies and adopted the following internal control measures:

- (i) the legal department and finance department of the Company will closely monitor the transactions under the Framework Agreement to ensure that the transaction amounts will not exceed the annual caps;
- (ii) the legal department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Framework Agreement are conducted on normal commercial terms, in accordance with the terms set out in the Framework Agreement and whether the service fees and relevant contract terms are in the interest of the Company and the Shareholders as a whole;
- (iii) the Company's external auditors will conduct an annual review of the transactions entered into under the 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 Framework Agreement; and
- (iv) the Company's independent non-executive Directors will conduct regular reviews of the status of the transactions contemplated under the Framework Agreement to ensure that the Company has complied with its internal approval process, the terms of the Framework Agreement and the relevant requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE FRAMEWORK AGREEMENT

As the Group is principally engaged in property development in the PRC, the entering into the Framework Agreement is consistent with the Group's core business goals and development strategies.

The Directors (including the independent non-executive Directors) are of the view that the Framework Agreement and the specific contracts to be entered into are in the ordinary and usual course of business of the Group and on normal commercial terms. Taking into account the reasons and benefits as mentioned above and the pricing policies set out in the section headed "THE FRAMEWORK AGREEMENT" above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement (including the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Group

The Group is principally engaged in property development and sales, property investment, hotel operations and construction and design services, consultation services and project management services.

Fuzhou JY

Fuzhou JY is a company established under the laws of the PRC with limited liability, an indirect wholly-owned subsidiary of the Company. Fuzhou JY is principally engaged in the provision of design and construction services.

Fuzhou Sansheng

Fuzhou Sansheng is a company established under the laws of the PRC with limited liability. It is principally engaged in property development in the PRC. Fuzhou Sansheng Group is principally engaged in operation and development of real estate in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Lin is indirectly interested in total of 363,458,127 Shares, representing approximately 74.09% of the issued share capital of the Company. Fuzhou Sansheng was indirectly owned as to 90.1% by Mr. Lin, the chairman of the Board, an executive Director and a controlling shareholder of the Company and 9.9% by Ms. Cheng, the chief executive officer of the Company, an executive Director and the spouse of Mr. Lin. Therefore, Fuzhou Sansheng is an associate of the connected persons of the Company under the Listing Rules, and therefore a connected person of the Company. As a result, the entering into of the Framework Agreement between Fuzhou JY and Fuzhou Sansheng and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual caps for the transactions contemplated under the Framework Agreement are more than 0.1% but all are less than 5%, the entering into of the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Lin and Ms. Cheng have a material interest in the transactions contemplated under the Framework Agreement, Mr. Lin and Ms. Cheng had abstained from voting on the relevant Board resolution(s) to approve the entering into of the Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Framework Agreement and none of them has abstained from voting on the relevant Board resolutions.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 10:57 a.m. on 16 May 2022, and will remain suspended pending fulfilment of the Resumption Guidance (as defined in the Company's announcement published on 29 July 2022) and any supplement or modification thereto.

DEFINITIONS

“associate”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Sansheng Holdings (Group) Co. Ltd., a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Agreement”	the design and construction services framework agreement entered into between Fuzhou JY and Fuzhou Sansheng on 24 April 2020
“Framework Agreement”	the design and construction services framework agreement entered into between Fuzhou JY and Fuzhou Sansheng on 30 December 2022
“Fuzhou JY”	Fuzhou Jingya Decoration Engineering Co., Ltd.* (福州景雅裝飾工程有限責任公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Fuzhou Sansheng”	Fuzhou Sansheng Property Co., Ltd.* (福州三盛置業有限公司), a company established in the PRC with limited liability and is indirectly held as to 90.1% by Mr. Lin and 9.9% by Ms. Cheng
“Fuzhou Sansheng Group”	Fuzhou Sansheng and its subsidiaries
“GAQSIQ”	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“MOHURD”	the Ministry of Housing and Urban–Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
“Mr. Lin”	Mr. Lin Rongbin, the chairman of the Board, an executive Director and a controlling shareholder of the Company
“Ms. Cheng”	Ms. Cheng Xuan, the chief executive officer of the Company, an executive Director and the spouse of Mr. Lin
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the design and/or construction services for certain property development projects of the Group in the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.89.

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

Hong Kong, 30 December 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lin Rongbin and Ms. Cheng Xuan; two non-executive Directors, namely Mr. Zhang Jingui and Mr. Zhou Tao David; and three independent non-executive Directors, namely Mr. Pan Dexiang, Mr. Wong Heung Ming Henry and Mr. Zhu Hongchao.

* *For identification purposes only*