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Sanxun Holdings Group Limited

三巽控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6611)

CONTINUING CONNECTED TRANSACTION 2024 LANDSCAPE ARCHITECTURE SERVICES FRAMEWORK AGREEMENT

BACKGROUND

Reference is made to the Prospectus in relation to, among others, the continuing connected transactions under the Landscape Architecture Services Framework Agreement entered into between the Company and Anhui Qiaoyi and the annual caps thereunder. As the Landscape Architecture Services Framework Agreement has expired on 31 December 2023, and the Group is expected to carry on the transactions contemplated thereunder, the Company entered into the 2024 Landscape Architecture Services Framework Agreement with Anhui Qiaoyi on 25 January 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Anhui Qiaoyi is held as to 60% by Mr. Lu Zhen (路震) and as to 40% by Ms. Shi Xiaoli (石曉麗), on trust for the benefit of Mr. Qian who is an executive Director and one of the controlling shareholders of the Company. Accordingly, the transactions contemplated under the 2024 Landscape Architecture Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (excluding the profit ratio) as defined in Rule 14.07 of the Listing Rules for the annual cap contemplated under the 2024 Landscape Architecture Services Framework Agreement exceeds 0.1% but all of which are less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Prospectus in relation to, among others, the continuing connected transactions under the Landscape Architecture Services Framework Agreement entered into between the Company and Anhui Qiaoyi and the annual caps thereunder. As the Landscape Architecture Services Framework Agreement has expired on 31 December 2023, and the Group is expected to carry on the transactions contemplated thereunder, the Company entered into the 2024 Landscape Architecture Services Framework Agreement with Anhui Qiaoyi on 25 January 2024.

2024 LANDSCAPE ARCHITECTURE SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2024 Landscape Architecture Services Framework Agreement are summarized as below:

Date:	25 January 2024
Parties:	The Company Anhui Qianyi
Term:	The term of the 2024 Landscape Architecture Services Framework Agreement commences from 25 January 2024 to 31 December 2026 (both days inclusive).
Subject matter:	The Group may engage Anhui Qiaoyi for the provision of landscape architecture services for property development projects of the Group, including landscape design and planning, construction, gardening and maintenance (the “ Landscape Architecture Services ”).

Pricing policy:

The service fees to be charged for the Landscape Architecture Services shall be determined after arm's length negotiations taking into account the total area covered by the Landscape Architecture Services, the locations of the projects, the anticipated operational costs (including labor costs, material costs and administrative costs) with reference to the fees charged by third parties for similar services and similar type of projects in the market. The service fees shall not be higher than those to be charged by Independent Third Parties.

Historical amounts

According to the Landscape Architecture Services Framework Agreement, the maximum amounts of service fee payable by the Group in relation to the Landscape Architecture Services for each of the three years ending 31 December 2023 will not exceed RMB103.9 million, RMB119.6 million and RMB131.3 million, respectively.

For the two years ended 31 December 2022 and the ten months ended 31 October 2023, the service fees paid by the Group under the Landscape Architecture Services Framework Agreement amounted to approximately RMB71.28 million, RMB17.45 million and RMB34.94 million, respectively.

Annual caps and basis of determination

It is proposed that the annual caps for the transactions contemplated under the 2024 Landscape Architecture Services Framework Agreement for the three years ending 31 December 2026 are expected not to exceed the followings:

	2024	2025	2026
	<i>(RMB in millions)</i>		
Annual caps	4.6	4.6	4.6

In arriving at the above annual caps, the Directors have considered (i) the historical transaction amounts under the Landscape Architecture Services Framework Agreement; (ii) the expected GFA of properties requiring Landscape Architecture Services is derived from the net GFA of properties under construction after taking into consideration the density of properties per project site, which is expected to be approximately 10,222 sq.m., 9,200 sq.m. and 11,500 sq.m. for the years ending 31 December 2024, 2025 and 2026, respectively; and (iii) the estimated fees for the Landscape Architecture Services which is estimated with reference to the historical transaction amounts for similar types of services, having regards to the mixed size, scale, character and location of the property projects expected to be launched according to business plan of the Group for the three years ending 31 December 2026.

The demand for the Landscape Architecture Services is driven by the annual property development and launching plan of the Group. However, due to the macro factors and uncertainties in the property development market, the Group has adjusted its development and launching plans and tightened the expansion in the coming three years and the Group will also consider to engage Independent Third Parties for the provision of services therefore the demand for Landscape Architecture Services under the 2024 Landscape Architecture Services Framework Agreement is expected to be decreased as compared with the past.

REASONS FOR AND BENEFITS OF THE 2024 LANDSCAPE ARCHITECTURE SERVICES FRAMEWORK AGREEMENT

Anhui Qiaoyi has been providing the Landscape Architecture Services to the Group before the Listing. It has extensive experience in Landscape Architecture Services and is familiar with the Group's requirements and standards and could offer competitive prices to the Group. Under the 2024 Landscape Architecture Services Framework Agreement, the Group has been able to engage Anhui Qiaoyi to continue to provide the Landscape Architecture Services to the Group.

As the Landscape Architecture Services Framework Agreement has expired and the Group will continued to engage the Anhui Qiaoyi to provide the Landscape Architecture Services, the Board (including the independent non-executive Directors) considers that the terms of the 2024 Landscape Architecture Services Framework Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL POLICIES FOR CONTINUING CONNECTED TRANSACTIONS

To enable the Group to review and assess whether the individual transactions will be conducted within the framework of the 2024 Landscape Architecture Services Framework Agreement and in accordance with the aforesaid pricing policy to ensure that the actual prices for the continuing connected transactions of the Group are on normal commercial terms and on terms no less favourable to the Group than those available from Independent Third Parties, the Group has adopted the following measures:

- (i) the general manager of the business department and finance department will closely monitor the transactions to ensure that the transaction amount does not exceed the annual caps of the 2024 Landscape Architecture Services Framework Agreement;
- (ii) the implementation of individual agreements (if required) shall be subject to the appropriate approval of the business department, finance department, legal department and management of the Group to ensure that the agreements are in line with the pricing policy and principal terms of the 2024 Landscape Architecture Services Framework Agreement;
- (iii) the general manager of the business department of the Group will conduct regular reviews to keep abreast of the prevailing fee level in the market and the market conditions for the purpose of considering if the price charged for a specific transaction is fair and reasonable and is in accordance with the pricing policy. In order to ascertain the prevailing market price, the business department of the Group and its designated personnel will, on a quarterly basis, invite quotations from at least two Independent Third Parties for the provision of the same or similar services with comparable scope under normal commercial terms in the ordinary course of business of such Independent Third Parties;
- (iv) the general manager of the financial department of the Group will regularly review the settlement of service fees to ensure that the settlement of the service fees are carried out in accordance with the 2024 Landscape Architecture Services Framework Agreement;

- (v) the auditors of the Company shall conduct annual reviews on pricing and annual caps of such continuing connected transactions to ensure that the transactions amount is within the annual caps and that the transactions are conducted on the principal terms of the 2024 Landscape Architecture Services Framework Agreement; and
- (vi) the independent non-executive Directors of the Company would continue to review the management's quarterly review reports on the transactions contemplated under the 2024 Landscape Architecture Services Framework Agreement to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The Group are principally engaged in real estate development in the PRC focusing on the development and sales of residential properties.

Anhui Qiaoyi

Anhui Qiaoyi is a company established in the PRC with the limited liability and is principally engaged in garden and landscaping project design and construction. As at the date of this announcement, Anhui Qiaoyi is held as to 60% by Mr. Lu Zhen (路震) and as to 40% by Ms. Shi Xiaoli (石晓丽), on trust for the benefit of Mr. Qian.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Anhui Qiaoyi is held as to 60% by Mr. Lu Zhen (路震) and as to 40% by Ms. Shi Xiaoli (石晓丽), on trust for the benefit of Mr. Qian who is an executive Director and one of the controlling shareholders of the Company. Accordingly, the transactions contemplated under the 2024 Landscape Architecture Services Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (excluding the profit ratio) as defined in Rule 14.07 of the Listing Rules for the annual cap contemplated under the 2024 Landscape Architecture Services Framework Agreement exceeds 0.1% but all of which are less than 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BOARD APPROVAL

At the Board meeting held to approve the 2024 Landscape Architecture Services Framework Agreement, Mr. Qian Kun and Ms. An Juan have abstained from voting on the Board resolution for approving the 2024 Landscape Architecture Services Framework Agreement. Save as disclosed above, none of the Directors was required to abstain from voting on the relevant Board resolution.

DEFINITIONS

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

“2024 Landscape Architecture Services Framework Agreement”	the landscape architecture services framework agreement dated 25 January 2024 entered into between the Company and Anhui Qiaoyi
“Anhui Qiaoyi”	Anhui Qiaoyi Garden Construction Co., Ltd.* (安徽喬藝園林景觀建設有限公司), a company established in the PRC with the limited liability
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Company”	Sanxun Holdings Group Limited (三巽控股集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules

“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company
“Landscape Architecture Services Framework Agreement”	the landscape architecture services framework agreement dated 23 June 2021 entered into between the Company and Anhui Qiaoyi
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Qian”	Mr. Qian Kun (錢堃), the chairman, executive Director and one of controlling shareholders of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“sq.m.”	square meters

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

* *For identification purpose only*

By Order of the Board
Sanxun Holdings Group Limited
Qian Kun
Chairman

Hong Kong, 25 January 2024

As at the date of this announcement, the Board comprises Mr. Qian Kun, Ms. An Juan, Mr. Wang Zizong and Mr. Zhang Xiaohui as executive Directors, and Mr. Chen Sheng, Mr. Wang Ye and Mr. Tong Yu as independent non-executive Directors.