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CIFI Ever Sunshine Services Group Limited

旭辉永升服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE PAYMENT OF DEPOSITS
UNDER THE CIFI AGENCY SERVICES FRAMEWORK AGREEMENT**

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



Reference is made to the CCT Announcements, in relation to, among other things, the continuing connected transactions entered into between the Group and the CIFI Group under the 2022 CIFI Sales Agency Services Framework Agreement.

Pursuant to the 2022 CIFI Sales Agency Services Framework Agreement and as part of its usual and ordinary course of business, the Group provides the CIFI Agency Services to the CIFI Group. The Group has entered into the Individual Agreements in connection with the provision of the CIFI Agency Services which contain the specific terms for the provision of such service. CIFI Holdings is one of the controlling shareholders of the Company. CIFI Holdings is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As part of the provision of the CIFI Agency Services, the relevant member of the Group may agree after negotiations with the relevant member of the CIFI Group to the payment of Deposits under the relevant Individual Agreement. When undertaking such negotiations, the relevant member of the Group would consider (i) whether the type of sales agency services required, the nature of the sales units involved and confidence of the relevant member of the Group to sell would warrant an exclusive sales agency for which a deposit is required by the relevant member of the CIFI Group to secure or incentivise proactive performance; and (ii) whether prevailing market practice for sales agency companies to pay similar deposits for exclusive agency rights and whether the rate and term of deposits is reasonable and in line with market practice.

The Board has recently understood from the Stock Exchange that it views that annual caps for the payment of the Deposits should be established in relation to transactions under the 2022 CIFI Sales Agency Services Framework Agreement. As the highest applicable percentage ratio in respect of the Proposed Caps is more than 5%, the Deposits constitute non-exempt continuing connected transactions of the Company. Therefore, the payment of the Deposits is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Proposed Caps. Elite Force, Spectron, Best Legend and their respective associates shall abstain from voting on the proposed resolution approving the Proposed Caps at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Proposed Caps. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the aforesaid matters.

A circular containing, among others, (a) further details of the Deposits (including the Proposed Caps); (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (c) a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting; and (d) the notice of the EGM, is expected to be despatched to the Shareholders on or before 6 November 2023.

INTRODUCTION

Reference is made to the CCT Announcements, in relation to, among other things, the continuing connected transactions entered into between the Group and the CIFI Group under the 2022 CIFI Sales Agency Services Framework Agreement.

Pursuant to the 2022 CIFI Sales Agency Services Framework Agreement and as part of its usual and ordinary course of business, the Group provides the CIFI Agency Services to the CIFI Group. The Group has entered into the Individual Agreements in connection with the provision of the CIFI Agency Services which contain the specific terms for the provision of such service. CIFI Holdings is one of the controlling shareholders of the Company. CIFI Holdings is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As part of the provision of the CIFI Agency Services, the relevant member of the Group may agree after negotiations with the relevant member of the CIFI Group to the payment of Deposits under the relevant Individual Agreement. When undertaking such negotiations, the relevant member of the Group would consider (i) whether the type of sales agency services required, the nature of the sales units involved and confidence of the relevant member of the Group to sell would warrant an exclusive sales agency for which a deposit is required by the relevant member of the CIFI Group to secure or incentivise proactive performance; and (ii) whether prevailing market practice for sales agency companies to pay similar deposits for exclusive agency rights and whether the rate and term of deposits is reasonable and in line with market practice.

The Deposits paid by the Group are payable either on a lump sum basis which is in a wide range of above 10% of the pre-determined sale price or the Base Price (and typically accompanied with a fixed rate commission payable by the CIFI Group to the Group), or on an instalment basis for up to 100% of the Base Price (and typically accompanied with a commission representing the difference between the selling price and the Base Price payable by the end-purchaser to the Group) (as the case may be). The rates of the Deposits are on normal commercial terms, within market range and are comparable to those applicable to the sales agency transactions of the Group with property developers who are Independent Third Parties. The Base Price is negotiated between the relevant parties after arm's length negotiations having considered the market conditions, the average selling price of assets/properties in the same neighbourhood, and the economic conditions of the PRC and/or the particular area where the property is situated.

The Deposits paid by the Group in respect of units sold by it are refundable by the CIFI Group in the following manner: (i) on a periodic basis (i.e., monthly, every six months or annually); or (ii) where the purchase price is received by the Group from the end purchaser and accountable to the CIFI Group, the Deposit paid by the Group for the unit sold will generally be set-off from such purchase price. Upon the expiry or termination of an Individual Agreement, the remaining balance of the Deposits will be refunded to the Group.

In situations where the CIFI Group receives the purchase price directly either from the end purchaser or their financing bank (as the case may be), the relevant Deposits would be set off from the purchase price the Group needs to return to the CIFI Group under the settlement arrangements between the Group and the CIFI Group. Further, in the unlikely event where the relevant units are sold below the pre-determined price or the Base Price with the consensus of the relevant member of the CIFI Group (which is normally due to the low turnover of the relevant units), the portion of the Deposit in excess of the purchase price received from the end purchaser will be proportionately refunded by the CIFI Group to the Group on a periodic basis.

The Company believed that the Deposits payable under the Individual Agreements entered into in the ordinary and usual course of business on normal commercial terms for sales agency are part and parcel of the 2022 CIFI Sales Agency Services Framework Agreement that was the subject of the CCT Announcements and related annual reporting disclosures and would not constitute separate notifiable transactions and/or continuing connected transactions under Chapters 14 and 14A of the Listing Rules¹.

The Board has recently understood from the Stock Exchange that it views that annual caps for the payment of the Deposits should be established in relation to transactions under the 2022 CIFI Sales Agency Services Framework Agreement. Accordingly, the Company proposes to seek Independent Shareholders approval for the Proposed Caps in respect of new Individual Agreements that may require the payment of Deposits as described below.

PROPOSED CAPS FOR THE REMAINING TERM OF THE CIFI SALES AGENCY SERVICES FRAMEWORK AGREEMENT

The Company proposes to put forward an ordinary resolution at the EGM for the Independent Shareholders to consider and, if thought fit, approve the Proposed Caps in compliance with the requirements under Chapter 14A of the Listing Rules:

	For the period commencing from 1 July 2023 to 31 December 2023	For the financial year ending 31 December 2024
	<i>(RMB million)</i>	
Proposed Caps	510.06	525.10

Note: The maximum daily balance of Deposits paid in the years ended 31 December 2021 and 31 December 2022 were RMB126.0 million and RMB887.2 million, respectively. The increase in the maximum daily balance was due to a combination of the following factors: (i) planned expansion of the Group's sales agency business in the financial year ending 31 December 2023 which led to increased exclusive sales agency agreements in the last quarter of the financial year ended 31 December 2022 for which Deposits were paid under which handover of "control" over the sales of the units would take 4 to 8 weeks in the ordinary course; and (ii) slower sales due to market conditions in the financial year ended 31 December 2022 which contributed to slower rates of set off against Deposits paid in the financial years ended 31 December 2021 and 31 December 2022.

¹ The Company also noted that the same approach has been taken by other companies listed on the Stock Exchange.

Basis of Determination of the Proposed Caps

In determining the Proposed Caps, the Company mainly considered the following factors:

- (i) the Individual Agreements expected to be entered into by the Group on or after 1 July 2023 for unsold units that the CIFI Group may require the CIFI Agency Services from the Group with reference to 35 projects that the Group is already providing property management services (but not the CIFI Agency Services) for members of the CIFI Group and nine projects to be completed by the CIFI Group by 31 December 2024 and the expected Deposits payable under such new Individual Agreements;
- (ii) 12 existing Individual Agreements that will expire and may, subject to further negotiations, be renewed by 31 December 2024 and the expected remaining balance of the Deposits under such existing Individual Agreements upon expiry (i.e., taking into account the projected amount of Deposits that may be set off as a result of the sale of the relevant units before such expiration);
- (iii) the expected project sales rates of 1% to 11% for the Individual Agreements referred to in paragraphs (i) and (ii) above. The expected project sales rates were arrived at with reference to the assessment and inspection of the project site and neighbouring areas as well as the historical project sales rates (if any), timing left under Individual Agreements before their expiration and other information that may have been obtained from the Group's property management arm in relation to the relevant units and the residential project in which those units are located;
- (iv) an increase in the number of units which will be sold using the Base Price method, which will affect the amount or percentage of Deposits and the timing at which such Deposits are to be received by the CIFI Group. In particular, for the Deposits which are payable on a lump sum basis (which are for Individual Agreements with shorter term), the rate would be in a wide range of above 10% of the pre-determined sale price or the Base Price and for Deposits which are payable on instalment basis (which are for Individual Agreements with longer term), the rate would be for up to 100% of the Base Price (as the case may be). Furthermore, where the Base Price represents a high discount to the market price, the rate of Deposit will also be higher;
- (v) the sufficiency of the Group's working capital, the reasonableness of the Deposit rate and number of instalments (as the case may be), the funding needs of the Group for its business and operations, and the recovery record of the Deposits already paid; and

- (vi) a buffer of 10% for the financial year ending 31 December 2024 as a result of the potential improvement in the market conditions, as well as to accommodate any unforeseeable circumstances.

INTERNAL CONTROL MEASURES

To ensure that the Individual Agreements will be entered into on normal commercial terms and in accordance with the terms of the 2022 CIFI Sales Agency Services Framework Agreement, and on terms no less favourable to the Group than those available from Independent Third Parties, the Group has adopted the following measures:

- (i) compliance with the Group's pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the finance department of the Group to ensure the relevant continuing connected transactions are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel and management of the Group will review and assess the terms before any Individual Agreements are entered into to ensure the terms are consistent with the 2022 CIFI Sales Agency Services Framework Agreement and that the commitment to pay Deposits under the new Individual Agreements would not result in the relevant Proposed Caps being exceeded before the relevant requirements under the Listing Rules for increasing the relevant caps have been complied with, before the entries of the relevant Individual Agreements are to be approved by the finance department of the Group;
- (ii) the management and the finance department of the Group will monitor transactions pursuant to each Individual Agreements (including actual sales rates and timing refunds of the Deposits) in the context of the applicable caps and assess the risk of caps being exceeded;
- (iii) the management would consider the results of a "four-dimensional evaluation" for the ongoing projects, the scores of which are allocated based on factors including (1) the type of development property (e.g. residential, villa and/or furnished apartments), pricing, status of delivery of residential units and occupancy rates; (2) the availability of car parking and storage facilities within the development and in the neighbourhood; (3) the proportion of car parking and storage spaces to units, number of saleable car parking and storage spaces, prior selling efforts in respect of the car parking and storage spaces, pricing and/or period of sales moratorium; and (4) the quality/condition of the car parking and storage spaces. Such evaluation, together with the expected project sales rate of the number of units under the CIFI Agency Services, will determine the rate of Deposits which will be payable;

- (iv) conducting regular checks to review and assess whether the transactions contemplated under the Individual Agreements are conducted in accordance with the terms of the 2022 CIFI Sales Agency Services Framework and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy; and
- (v) reviewing by the relevant department of the Group of the refund status of the Deposits on a regular basis to ensure that the recovery of the Deposits are carried out in accordance with the Individual Agreements. In the event of a delay in the refund of the Deposits, the relevant member of the Group will closely follow up with the relevant department of the CIFI Group in a timely manner. Depending on the circumstances of the delay, the relevant member of the Group will take appropriate actions in order to protect its interest under the Individual agreements and the 2022 CIFI Sales Agency Services Framework Agreement, such as negotiation, issuing collection letter(s) or potentially issuing attorney letter(s) or taking other legal measures to ensure that the Deposits be refunded to the Group in accordance with the Company's policy on collection of outstanding payments as and when required, which are consistent with the case of Independent Third Party customers.

In view of the foregoing, the Directors consider that the internal control mechanism to be effective to ensure that the transactions contemplated under the 2022 CIFI Sales Agency Services Framework Agreement and the payment mechanism of the Deposits will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

In addition to the above internal control measures, the independent non-executive Directors will continue to review the transactions contemplated under the 2022 CIFI Sales Agency Services Framework Agreement and the Individual Agreements, and the auditors of the Company will also report on the Group's continuing connected transactions (including the transactions contemplated under the 2022 CIFI Sales Agency Services Framework Agreement) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

OPINION OF THE DIRECTORS

The Board (excluding the Directors who have abstained from voting as more particularly described below and the independent non-executive Directors whose opinions will be included in the letter from the Independent Board Committee contained in the circular to be despatched to the Shareholders, after taking into account the advice from Gram Capital) is of the view that the proposed payment

arrangements for the Deposits (and the Proposed Caps therefor) are in the ordinary and usual course of business of the Group, are in the interests of the Group and the Shareholders as a whole and the terms of the Deposits are on normal commercial terms and fair and reasonable.

Since Mr. Lin Zhong and Mr. Lin Feng, each being a Director, also hold office in CIFI Holdings, they are therefore considered to be materially interested in the continuing connected transactions contemplated under the 2022 CIFI Sales Agency Services Framework Agreement. As a result, each of Mr. Lin Zhong and Mr. Lin Feng has abstained from voting on the Board resolutions for approving the Proposed Caps. Save for the above Directors, none of the Directors has any interest in the above-mentioned transactions.

THE EGM

As at the date of this announcement, CIFI Holdings is one of the controlling shareholders of the Company. CIFI Holdings is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

The Board has recently understood from the Stock Exchange that it views that annual caps for the payment of the Deposits should be established in relation to transactions under the 2022 CIFI Sales Agency Services Framework Agreement. As the highest applicable percentage ratio in respect of the Proposed Caps are more than 5%, the Deposits constitute non-exempt continuing connected transactions of the Company. Therefore, the payment of the Deposits is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Proposed Caps. Elite Force, Spectron, Best Legend and their respective associates shall abstain from voting on the proposed resolution approving the Proposed Caps at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Proposed Caps. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the aforesaid matters.

A circular containing, among others, (a) further details of the Deposits (including the Proposed Caps); (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (c) a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting; and (d) the notice of the EGM, is expected to be despatched to the Shareholders on or before 6 November 2023 as additional time is required to prepare and finalise certain information to be included in the circular.

GENERAL INFORMATION

The Group

The Group is a property management service provider in the PRC and its business covers a wide spectrum of properties, including residential properties and non-residential properties such as office buildings, shopping malls, schools and government buildings, and provides customers with access to quality tailored services.

CIFI Holdings

CIFI Holdings is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00884). CIFI Group is principally engaged in the property development and property investment business focusing on developing high quality properties in the PRC.

The controlling shareholders of CIFI Holdings are Mr. Lin Zhong, Mr. Lin Wei and Mr. Lin Feng.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 31 March 2023. As disclosed in the announcement of the Company dated 26 September 2023 in relation to, among other things, fulfilment of resumption guidance, the Company has made an application to the Stock Exchange for the resumption of trading in the ordinary shares of the Company with effect from 9:00 a.m. on 27 September 2023.

WARNING

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. When in doubt, Shareholders and other investors of the Company are advised to seek professional advice from their own professional or financial advisers.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following terms and expressions have the following meanings:

“2022 CIFI Sales Agency Services Framework Agreement”	the sales agency services framework agreement entered into between the Company and CIFI Holdings on 23 December 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Base Price”	being the minimum sale price of the property to be sold under the relevant Individual Agreements
“Best Legend”	Best Legend Development (PTC) Limited, a private trust company limited by shares incorporated in the BVI and is one of the controlling shareholders of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCT Announcements”	the announcements of the Company dated 22 March 2019, 22 April 2021 and 23 December 2021
“CIFI Agency Services”	the sales agency services provided by the Group to the CIFI Group in respect of use rights of unsold residential car parking spaces and unsold residential properties (including storage spaces) in the development projects of the CIFI Group
“CIFI Group”	CIFI Holdings and its subsidiaries; for the purpose of this announcement only, excluding the Group
“CIFI Holdings”	CIFI Holdings (Group) Co. Ltd. (stock code:00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“Company”	CIFI Ever Sunshine Services Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code:1995)

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deposits”	the refundable deposits paid or to be placed by the Group to the CIFI Group pursuant to certain Individual Agreements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held for the purpose of considering and, if thought fit, approving the Proposed Caps
“Elite Force”	Elite Force Development Limited, a limited liability company incorporated in the BVI and is one of the controlling shareholders of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, namely Mr. MA Yongyi, Mr. YU Tiecheng and Mr. CHEUNG Wai Chung, to advise the Independent Shareholders in respect of the Proposed Caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Caps
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Proposed Caps

“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Individual Agreements”	the individual agreements entered into between the members of the Group and the members of the CIFI Group from time to time in relation to the provision of the CIFI Agency Services by the Group to the CIFI Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC” or “China”	the People’s Republic of China which for the purpose of this announcement does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Proposed Caps”	the proposed caps for maximum daily balance of Deposits to be paid by the Group to the CIFI Group pursuant to Individual Agreements to be entered into on or after 1 July 2023 and up to 31 December 2024 (which excludes the balance of Deposits that are paid and/or payable pursuant to Individual Agreements entered into prior to 1 July 2023)
“RMB”	Renminbi, the lawful currency of the PRC
“Resumption Guidance”	the guidance prescribed by the Stock Exchange for the resumption of trading in the Shares as disclosed in the announcement of the Company dated 23 June 2023
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Spectron”	Spectron Enterprises Limited, a limited liability company incorporated in the BVI and is one of the controlling shareholders 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 under the Listing Rules
“%”	percentage

By Order of the Board
CIFI Ever Sunshine Services Group Limited
LIN Zhong
Chairman

Hong Kong, 26 September 2023

As at the date of this announcement, the executive Directors are Mr. LIN Zhong, Mr. ZHOU Hongbin and Mr. ZHOU Di, the non-executive Director is Mr. LIN Feng; and the independent non-executive Directors are Mr. MA Yongyi, Mr. YU Tiecheng and Mr. CHEUNG Wai Chung.