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If you have sold or transferred all your shares in CIFI Ever Sunshine Services Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PAYMENT OF DEPOSITS UNDER THE CIFI AGENCY SERVICES FRAMEWORK AGREEMENT; (2) PROPOSED CHANGE OF COMPANY NAME; AND (3) NOTICE OF EGM

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 25 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 44 of this circular.

A notice convening the EGM of the Company to be held at No.1 Conference Room, 9/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 28 February 2024 at 10:00 a.m. is set out on pages 53 to 55 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cifies.com>).

Whether or not you are able to attend the EGM, you are advised to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Monday, 26 February 2024) or any adjournment thereof. Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish and in such event, the proxy shall be deemed to be revoked.

All times and dates specified herein refers to Hong Kong local times and dates.

31 January 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall 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
“Articles of Association”	the existing amended and restated articles of association of the Company
“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
“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
“Change of Company Name”	the proposed change of English name of the Company from “CIFI Ever Sunshine Services Group Limited” to “Ever Sunshine Services Group Limited” and the dual foreign name of the Company in Chinese from “旭輝永升服务集团有限公司” to “永升服务集团有限公司”
“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, and for the purpose of this circular, excluding the Group
“CIFI Holdings”	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司) (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
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Company”	CIFI Ever Sunshine Services Group Limited (旭辉永升服务集团有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and 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 shareholders”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposits”	the refundable deposits paid or to be placed by the Group with the CIFI Group pursuant to certain Individual Agreements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at No.1 Conference Room, 9/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 28 February 2024 at 10:00 a.m. or any adjournment thereof (as the case may be), the notice of which is set out on pages 53 to 55 of this circular
“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
“HK\$”	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 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 SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Caps

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“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the EGM for the 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
“Latest Practicable Date”	23 January 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 circular does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Premium Commission”	the commission separately agreed between the Group and the end purchasers of car parking spaces and/or storage spaces, representing the difference between the sale price paid by the end purchaser and the Base Price
“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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Spectron”	Spectron Enterprises Limited, a limited liability company incorporated in the BVI and is one of the controlling shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. LIN Zhong (*Chairman*)

Mr. ZHOU Hongbin

Mr. ZHOU Di

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Director:

Ms. CUI Xiaoqing

Principal Place of Business in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

Independent Non-executive Directors:

Mr. MA Yongyi

Mr. TU Tiecheng

Mr. CHEUNG Wai Chung

31 January 2024

To the Shareholders

Dear Sir and Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE PAYMENT OF DEPOSITS
UNDER THE CIFI AGENCY SERVICES FRAMEWORK AGREEMENT;
(2) PROPOSED CHANGE OF COMPANY NAME;
AND
(3) NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 26 September 2023 in relation to the Deposits and the Proposed Caps. Reference is also made to the announcement of the Company dated 22 December 2023 in relation to, among others, the Change of Company Name.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information on the Deposits and the Proposed Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Proposed Caps; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Caps; (iv) further information regarding the Change of Company Name; and (v) a notice of EGM in respect of the resolutions to be considered at the EGM.

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

As disclosed in the announcement of the Company dated 26 September 2023, the Group provides the CIFI Agency Services to the CIFI Group, pursuant to the 2022 CIFI Sales Agency Services Framework Agreement and as part of its usual and ordinary course of business. 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.

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. The Company had 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 Rules.

The Board understood from the Stock Exchange in mid-2023 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.

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) are as follows:

	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

LETTER FROM THE BOARD

Historical transaction amounts

The following table sets forth the historical amounts for the Deposits paid by the Group to the CIFI Group for the years ended 31 December 2021 and 31 December 2022:

	For the year ended 31 December	
	2021	2022
	<i>(RMB' million)</i>	
Maximum daily balance of Deposits paid by the Group to the CIFI Group	126.01	887.19

As at 30 June 2023 and the Latest Practicable Date, the remaining balance of Deposits paid by the Group to the CIFI Group pursuant to the Individual Agreements entered into before 1 July 2023 were approximately RMB825.17 million and RMB395.57 million, respectively.

To the best knowledge of the Directors, the increase in the maximum daily balance was due to a combination of the following factors: (i) 18 Individual Agreements were entered into in November 2022 with the CIFI Group in accordance with the planned expansion of the Group's sales agency business to increase agency inventory of car parking spaces and/or storage spaces to arrive at the projected revenue in the financial year ended 31 December 2023, pursuant to which the Group paid aggregate Deposits of approximately RMB466 million to the CIFI Group; (ii) as certain Deposits which were payable on instalment basis under Individual Agreements were entered into in the two years ended 31 December 2020 and 2021, the Deposits paid during the year ended 31 December 2021 comprise the Deposits payable on instalment basis pursuant to the Individual Agreements entered into in the two years ended 31 December 2020 and 2021, while those paid during the year ended 31 December 2022 comprise the Deposits payable on instalment basis pursuant to the Individual Agreements which were entered into in the three years ended 31 December 2020, 2021 and 2022. As such, the instalment payment model led to an increase in the balance of Deposits in 2022; (iii) the Deposits for certain Individual Agreements entered into towards the end of 2021 were only payable in 2022 after completion of administrative formalities for the transfer of the relevant units, which would normally take four to eight weeks to complete; and (iv) the 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 resulting from the continuing impact of the COVID-19 pandemic and the slowdown of the property market in China, where the growth prospects were hampered by buyer confidence in the market, especially the residential property sector, at the relevant time.

Based on the above, the Board is of the view that the abovementioned factors which led to the significant increase in maximum daily balance of Deposits paid by the Group to the CIFI Group in the year ended 31 December 2022 is non-recurring in nature.

LETTER FROM THE BOARD

The historical transaction amounts were taken into account in determining the Proposed Caps in the following manner:

- (i) for Individual Agreements newly or to be entered into between the Group and the CIFI Group, the Proposed Caps were determined with reference to the historical average selling rate of 15% for all CIFI Agency Services conducted in the two years ended 31 December 2021 and 2022; and
- (ii) for Individual Agreements renewed or to be renewed, the Proposed Caps were determined with reference to (a) the balance of Deposits as at 30 June 2023; (b) the numbers of unsold car parking spaces and/or storage spaces and historical selling rates of the relevant projects; and (c) the Base Price previously agreed between the Group and the CIFI Group for such projects.

The Deposits paid and payable by the Group to the CIFI Group for the year ended 31 December 2023 and the year ending 31 December 2024 pursuant to Individual Agreements entered into prior to 1 July 2023 amount and are expected to amount to approximately RMB269.04 million and RMB170.47 million, respectively, without taking into account the Deposits that may be or have been refunded by way of set off.

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, which the Company believes that the Group could make use of the market information, including but not limited to the demand for car parking spaces and/or storage spaces and by the owners of the surrounding properties, collected through its network of property management offices located in such development projects through the provision of property management services to the CIFI Group, to expand its sales agency services business by penetrating into such projects, 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);

LETTER FROM THE BOARD

- (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 average selling rate of 15% for all the CIFI Agency Services conducted in the two years ended 31 December 2021 and 2022, 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 (i.e., where the Group is required to sell the relevant unit above the Base Price which is determined with reference to a discount to the market price of such unit and to pay the Deposits on an instalment basis, as opposed to the pre-determined price method where the Group is required to sell the relevant unit at not less than a pre-determined sale price which is closer to the market price of such unit and to pay the Deposits on a lump sum basis), which is determined after taking into account a combination of the following factors:
 - (a) the Group's profitability will be improved by using the Base Price method where the Group will receive the Premium Commission from the end purchasers;
 - (b) the Group has gradually matured and is capable of rendering the CIFI Agency Services solely without the involvement of the CIFI Group. In cases where the CIFI Agency Services are rendered solely by the Group, the Base Price method will generally be applicable;
 - (c) the Group has agreed with the CIFI Group to shift more towards using the Base Price method,

and 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% but not exceeding 50% of the pre-determined sale 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. Furthermore, where the Base Price represents a high discount to the market price, which is determined with reference to the comparable average sale price in the surrounding markets of the relevant units as well as the previously agreed Base Price applicable to the CIFI Agency Services, the CIFI Group will normally require a shorter payment cycle for the Deposits and the timeframe at which the Deposits are to be received by the CIFI Group will be shorter and therefore, the term of each of the underlying Individual Agreements will be shorter and the annualised 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

LETTER FROM THE BOARD

- (vi) a buffer of 10% for the financial year ending 31 December 2024 to cater for potential fluctuations in the Base Price which is determined with reference to the market price of the relevant units, and also taking into consideration factors such as the discount to the market price and the timing at which the Deposits are to be paid to the CIFI Group as a result of the potential improvement in the market conditions, as well as to accommodate additional Individual Agreements for projects other than those referred to in paragraphs (i) and (ii) above and any other unforeseeable circumstances.

Having considered the abovementioned considerations, the Proposed Caps represent the aggregate of the following together with a buffer of 10%:

- (i) the estimated aggregate maximum daily balance of Deposits for each of the existing Individual Agreements that have been and will be renewed on or after 1 July 2023, which is calculated as follows:

$$\left(\begin{array}{l} \text{The} \\ \text{remaining} \\ \text{balance of} \\ \text{Deposits as at} \\ \text{31 July 2023} \end{array} \right) + \left(\begin{array}{l} \text{The Deposits} \\ \text{payable for} \\ \text{the year} \\ \text{ended 31} \\ \text{December} \\ \text{2023 and the} \\ \text{year ending} \\ \text{31 December} \\ \text{2024} \end{array} \right) - \left(\begin{array}{l} \text{The number} \\ \text{of unsold} \\ \text{units under} \\ \text{each of the} \\ \text{Individual} \\ \text{Agreements} \end{array} \right) \times \left(\begin{array}{l} \text{Pre-determined} \\ \text{sale price} \\ \text{and/or Base} \\ \text{Price for such} \\ \text{unsold units} \end{array} \right) \times \left(\begin{array}{l} \text{Selling rate} \end{array} \right)$$

; and

- (ii) the estimated aggregate maximum daily balance of Deposits for each of the Individual Agreements that have been and will be entered into on or after 1 July 2023, which is calculated as follows:

$$\left(\begin{array}{l} \text{The Deposits} \\ \text{payable for the} \\ \text{year ended 31} \\ \text{December} \\ \text{2023 and the} \\ \text{year ending 31} \\ \text{December} \\ \text{2024} \end{array} \right) - \left(\begin{array}{l} \text{The number of} \\ \text{units under} \\ \text{each of the} \\ \text{Individual} \\ \text{Agreements} \end{array} \right) \times \left(\begin{array}{l} \text{Base Price}^1 \\ \text{for such units} \end{array} \right) \times \left(\begin{array}{l} \text{Selling rate} \end{array} \right)$$

The decrease in the Proposed Caps for the period commencing from 1 July 2023 to 31 December 2023 as compared to the maximum daily balance of Deposits paid by the Group to the CIFI Group for the year ended 31 December 2022 is due to the fact that the Proposed Caps does not take into account the Deposits paid and payable pursuant to Individual Agreements entered into before 1 January 2023 (as no Individual Agreement was entered into between 1 January and 30 June) that will not be renewed on or after 1 July 2023.

¹ As the Group has agreed with the CIFI Group to gradually shift towards using the Base Price method, the pre-determined price method has not been taken into account when calculating the estimated aggregate maximum daily balance of Deposits for each of the Individual Agreements that have been and will be entered into (rather than those which have been and will be renewed) on or after 1 July 2023.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has used and will use the Deposits refunded and to be refunded by the CIFI Group for paying the Deposits under the Individual Agreements entered into on or after 1 July 2023. Therefore, the payment of Deposits will not utilise a substantial amount of the Group's working capital based on present trend, and the Group will have sufficient working capital thereafter.

Having considered the above-mentioned factors, the Directors (including the independent non-executive Directors (whose opinion are given in the letter from the Independent Board Committee contained in this circular) after considering the advice from Gram Capital) are of the view that the Proposed Caps are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

In the event that the resolution with respect to the Proposed Caps is not approved by the Independent Shareholders at the EGM, the Group will not enter into any new Individual Agreements with members of the CIFI Group and will use its best endeavours to terminate the Individual Agreements entered into on or after 1 July 2023 and request the relevant members of the CIFI Group to refund the relevant Deposits paid thereunder to the relevant member of the Group as soon as reasonably practicable.

The payment of the Deposits

In general, where the Group is engaged by the CIFI Group on an exclusive basis to provide the CIFI Agency Services, the Group would normally be required to pay Deposits to the CIFI Group. The Deposits are calculated using the following formula:

$$\begin{array}{rcccl} \text{The rate of} & & \text{Pre-determined sale} & & \text{Number of units under} \\ \text{Deposits} & \times & \text{price or Base Price of} & \times & \text{the relevant Individual} \\ & & \text{each unit} & & \text{Agreement} \end{array}$$

The Deposits are payable by the Group either on (i) a lump sum basis which is in a wide range of above 10% but not exceeding 50% of the pre-determined sale price, or (ii) an instalment basis for up to 100% of the Base Price (as the case may be).

When determining the payment and the rates of Deposits, the relevant member of the Group would consider the following factors:

- (i) **exclusivity** — where the Group is engaged by the CIFI Group on an exclusive basis to provide the CIFI Agency Services, the Group would normally be required to pay Deposits to the CIFI Group, which is consistent with the prevailing market practice. As shown in the table in the paragraph headed "Comparable Transactions" below, deposits were required in all comparable transactions where agency services were rendered on an exclusive basis;

LETTER FROM THE BOARD

- (ii) *type of sales agency services required* — where the CIFI Agency Service is solely provided by the Group without support from the CIFI Group and the Group is able to charge the end purchaser a Premium Commission, the Group would normally be more inclined to pay Deposits at a higher rate. Conversely, where the CIFI Agency Service is supported by the CIFI Group, in particular in terms of marketing program planning, the Group will normally charge the CIFI Group a fixed-rate commission and the Group would normally be less inclined to pay Deposits at a high rate;

- (iii) *nature of the sales units involved* — the Group ascribes an overall score for each development project of the CIFI Group taking into account various factors. Development projects with higher scores are more attractive to the Group and as such payment of Deposits is more acceptable to the Group. Development projects with higher scores in general have the following features:
 - (a) located closer to the city centre, with higher sale prices, a shorter period of delivery, and higher occupancy rates;

 - (b) less available car parking and/or storage spaces within the development and in the neighbourhood leading to a higher demand for such car parking and/or storage space; and/or

 - (c) the Base Price is at a higher discount to the market price so that the Group can generate higher Premium Commission; and

- (iv) *confidence to sell* — the more confident the Group is in selling the relevant units, the more likely it is to accept the payment of a higher Deposit amount.

As shown in the table in the paragraph headed “Comparable Transactions” below, certain industry players are required to pay up to 80% of the pre-determined price or 100% of the base price. As such, the rates of the Deposits are in line with the market practice.

The rates of the Deposits

The pre-determined sale price and the Base Price are negotiated between the relevant parties after arm’s length negotiations having considered the market conditions, the average sale 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.

In general, projects with a shorter contract term (i.e., one year or less) together with a fixed-rate commission will likely require the Deposits to be paid on a lump sum basis, while projects with a longer contract term (i.e., more than one year) together with a Premium Commission (which is normally higher than fixed-rate commission) will likely require the Deposits to be paid by instalments.

LETTER FROM THE BOARD

Comparable Transactions

Below is a list of comparable transactions that involve payment of refundable deposits in respect of the exclusive sales agency rights for car parking spaces and/or residential properties announced by property management companies listed on the Stock Exchange, with main operations in the PRC, during the period of approximately 20 months preceding the Latest Practicable Date:

Company Name (stock code)	Announcement date	Exclusivity	Base or sale price of the car parking spaces/storage spaces	Deposit rate	Interest rate	Refund mechanism
Times Neighborhood Holdings Limited (9928)	21 March 2023	Yes	Not available	Not available	Nil	Nil
Shimao Services Holdings Limited (873)	6 December 2022	Yes	Minimum acceptable sale price agreed upon by both parties	Not more than 35% of the sale price	Nil	Periodical refund ⁽¹⁾ / set-off, and refund remaining balance upon contract expiry
Ronshine Service Holding Co., Limited (2207)	23 November 2022	Yes	Approximately 65% of the agreed market price	15% of the estimated market value	Nil	Periodical refund ⁽¹⁾ , and refund remaining balance upon contract completion/ expiry
Poly Property Services Co Limited (6049)	16 November 2022	Yes	Minimum price to be charged for the sales and leasing price	Not more than 50% of the minimum price	Not available	Periodical refund ⁽¹⁾ , and refund remaining balance upon contract completion/ expiry/ termination
Roiserv Lifestyle Services Co Limited (2146)	15 November 2022	Yes	approximately 70% to 80% of the agreed market value	100% of base price	Not available	Set-off, and refund remaining balance upon contract expiry/ termination
Sino-Ocean Service Holding Limited (6677)	14 October 2022	Yes	Minimum price to be charged for the sale	Not more than 50% of the minimum price	Nil	Periodical refund ⁽¹⁾ , and refund remaining balance upon contract expiry/ termination
Dexin Services Group Limited (2215)	9 June 2022	Yes	Specific negotiated price for sales and leasing	Not more than 50% of the negotiated price	Not available	Refund upon contract completion/ termination
Powerlong Commercial Management Holdings Limited (9909)	11 May 2022	Yes	65% of the agreed market value	30% of the agreed market value	Nil	Periodical refund ⁽¹⁾ , and refund remaining balance upon contract expiry/ termination

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Company Name (stock code)	Announcement date	Exclusivity	Base or sale price of the car parking spaces/storage spaces	Deposit rate	Interest rate	Refund mechanism
A-Living Smart City Services Co Limited (3319)	22 April 2022	Yes	Not more than 65% of the agreed market value	Not more than 30% of the agreed market value	Not available	Periodical refund ⁽¹⁾ , and refund remaining balance upon contract expiry/ termination
Kangqiao Service Group Limited (2205)	21 April 2022	Yes	Sales reserve price accepted by both parties	100% of the sales reserve price	Nil	Periodical refund ⁽¹⁾ / set-off, and refund remaining balance upon contract expiry/ termination

Note:

(1) As disclosed in the relevant announcements of the above-listed companies, refundable deposits payable by these companies shall be refunded on a periodic basis (i.e., monthly, bi-annually, or annually).

As shown above, certain property agents are also required to pay up to 80% of the pre-determined price or 100% of the base price. As such, the rates of the Deposits are considered to be on normal commercial terms and within market range. The rates of Deposits as set out above are also comparable to the rates with all the property developers (eight in total) who are Independent Third Parties that the Group entered into sales agency agreements with since 1 January 2021 in relation to the provision of sales agency services for car parking spaces and/or storage spaces on an exclusive basis, representing 100% of the Base Price.

Based on the above and having considered the different modes of commissions payable, the Directors (including the independent non-executive Directors after considering the advice from Gram Capital that the deposit rate and refund mechanism of the Deposits are not uncommon as compared to the market practice) are of the view that the rates of the Deposits are on normal commercial terms, within market range and are comparable to the comparable transactions offered by the Group to the Independent Third Parties, and that the pricing policy of the Deposit is fair and reasonable.

Source of funding

The payment of the Deposits by the Group had been and will continue to be funded by the Group's internal resources generated from its operations, without using the unutilised proceeds from the Company's initial public offering.

LETTER FROM THE BOARD

The working capital generated by the Group for the six months ended 30 June 2023 amounted to approximately RMB100.08 million and the cash and cash equivalents of the Group as at 30 June 2023 amounted to approximately RMB1,750.11 million. The following table sets forth the amount of Deposits paid and expected to be paid by the Group to the CIFI Group for the year ended 31 December 2023 and the year ending 31 December 2024, respectively, pursuant to Individual Agreements entered / to be entered into on or after 1 July 2023:

	For the year	
	ended	ending
	31 December 2023	31 December 2024
Amount of Deposits expected to be paid to the CIFI Group	nil ⁽¹⁾	RMB58.65 million
As % of the working capital generated by the Group for the six months ended 30 June 2023	nil ⁽¹⁾	58.60%
As % of the cash and cash equivalents of the Group as at 30 June 2023	nil ⁽¹⁾	3.35%

Note:

- (1) *The Proposed Cap for the year ended 31 December 2023 represent the balance of the Deposits paid pursuant to Individual Agreements entered into on or after 1 July 2023. The Company does not expect to pay any Deposits to the CIFI Group for the year ended 31 December 2023 pursuant to Individual Agreements entered / to be entered into on or after 1 July 2023 as the Company has used and will use the Deposits refunded and to be refunded by the CIFI Group for paying the Deposits thereunder.*

Taking into account (i) the expected income stream to be generated by the Group through the payment of the Deposits, (ii) other steady revenue streams from the Group's principal business, and (iii) the Proposed Caps represent no more than 30% of the Group's cash and cash equivalents as at 30 June 2023, the Company believes that the Group will have sufficient working capital after the payment of the Deposits. The Group will continue to monitor its working capital level and will estimate in advance the working capital required for the next 12 months through a rolling budget.

Based on the above, the Board is of the view that the payment of the Deposits will not have a material impact on the Company's working capital and operation.

Refund of Deposits

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, bi-annually 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, of which the contract term is generally one year or above but less than three years and not beyond 31 December 2024, the remaining balance of the Deposits will be refunded to the Group. Where the 2022 CIFI Sales Agency Services

LETTER FROM THE BOARD

Framework Agreement (including the annual caps for the commission payable and the Deposits payable) is renewed on or before 31 December 2024, the existing Individual Agreements will be automatically renewed, and the remaining balance of the Deposits will be kept with the CIFI Group as Deposits payable under the renewed Individual Agreements.

Under normal circumstances, the Group will request the Deposits to be refunded by way of set-off against the purchase price received by the Group from the end purchaser that is payable to the CIFI Group as this type of refund method would give maximum convenience to the settlement. The Deposits may also be refunded by the CIFI Group to the Group on a periodic basis in respect of units sold during the relevant period.

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 in respect of units sold during the relevant period.

To the best of knowledge of the Company, similar refund mechanisms of deposits have also been adopted by other industry players, including but not limited to those identified in the table in the paragraph headed “Comparable Transactions” above. Accordingly, the Board is of the view that the above refund mechanism of the Deposits is comparable to those adopted by other industry peers and in line with the market practice, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As announced by CIFI Holdings, the CIFI Group has put tremendous efforts in preserving value for all stakeholders by ensuring delivery of completed units, stabilising its normal business operations and maintaining its onshore financing arrangements. The CIFI Group recorded an aggregated contracted sales of approximately RMB56.45 billion with contracted GFA of approximately 3,977,600 sq.m. from January to September 2023, and had cash and bank balances (other than pledged bank deposits and funds under supervision by banks) of approximately RMB6,213.4 million as at 30 June 2023. Furthermore, as at the Latest Practicable Date, there had been no defaults with respect to the CIFI Group’s open market onshore debt payments or refund obligations of the Deposits by the CIFI Group. Therefore, taking into account (i) the financial results published by CIFI Holdings, (ii) the long-term cooperation between the CIFI Group and the Group, (iii) the historical payment record of payments due from the CIFI Group to the Group (including refunding of Deposits), (iv) the stable income stream that has been generated by the Group from the provision of the CIFI Agency Services, and (v) the liquidity issue (if any) faced by the CIFI Group, mainly relating to its offshore indebtedness and proposed restructuring, would not affect the CIFI Group’s ability to fulfil its onshore liabilities as (i) the PRC subsidiaries of the CIFI Group (i.e., being parties to the relevant Individual Agreements) have not guaranteed any of the CIFI Group’s offshore bank loans, senior notes and

LETTER FROM THE BOARD

convertible bonds and, (ii) the CIFI Group's offshore indebtedness do not materially affect its onshore financing arrangements as a whole, the Board is of the view that the repayment capacity of such PRC subsidiaries of the CIFI Group has not been adversely affected and the credit risk of the Deposits paid to the CIFI Group is therefore relatively low.

As at the Latest Practicable Date, the Group had not been provided with any guarantees over the repayment of the Deposits by the CIFI Group. To minimise the credit risk in relation to the payment of the Deposits, the Company will (i) perform credit assessment procedures including but not limited to evaluating occupants' feedback of the sold car parking spaces/storage spaces of the CIFI Group, conducting market research on the business reputation of relevant members of the CIFI Group and reviewing the financial statements of the members of the CIFI Group from time to time, and (ii) request the members of the CIFI Group to provide financial metrics to the Group on a regular basis for ongoing credit assessment so as to monitor the refunding status of the Deposits regularly. In the event of a delay in the Deposits to the Group, the relevant member of the Group will promptly take appropriate actions in order to protect its interest under the Individual agreements and the 2022 CIFI Sales Agency Services Framework Agreement. For further details, please refer to the paragraph headed "Internal Control Measures" in this circular.

Reasons for and benefits of the payment of the Deposits

As disclosed in the CCT Announcements, the Company had already entered into the 2022 CIFI Agency Services Framework Agreement with CIFI Holdings, for the provision of, among others, the CIFI Agency Services. The reasons and benefits of the payment of the Deposits are as follows:

- (i) the Deposits are required to secure the CIFI Agency Services, rendered on an exclusive and sole basis by the relevant member of the Group. This allows the Group to secure a stable income stream and enhance profitability of the Group without competition from other property agents;
- (ii) the payment of the Deposits is an industry norm and consistent with the industry practice in relation to sales agency services in relation to car parking spaces and/or storage spaces and similar sales agency services that the Group provided to Independent Third Parties. As shown in the table in the paragraph headed "Comparable Transactions", certain industry players also pay deposits representing up to 100% of the base price. As such, the payment of Deposits is consistent with market practice and the rate of Deposits to be paid by the Group is not outside of the market range;
- (iii) the payment of the Deposits generally allows the Group to charge higher commission as compared to the CIFI Agency Services rendered by the Group without the payment Deposits. Based on historical transactions, the percentage of commission charged by the Group for rendering the CIFI Agency Services with Deposit arrangements was approximately 40% to 50% of the final sale prices, whereas commission for CIFI Agency Services without Deposit arrangements was approximately 5% to 10% of the final sale prices;

LETTER FROM THE BOARD

- (iv) the Deposits being interest free is in line with the general market practice of similar transactions. As shown in the table in the paragraph headed “Comparable Transactions”, the deposits in all comparable transactions were interest-free; and
- (v) the use of the Group’s cash for the Deposits indirectly generates higher returns for the Group (as a result of the receipt of the relevant commission) compared to leaving it as idle cash or putting it in financial institutions as bank deposit. The estimated annual return rates of the Deposits⁽ⁱ⁾ with respect to the CIFI Agency Services rendered to the CIFI Group for the years ended 31 December 2021 and 2022 were approximately 269.0% and 35.2%, respectively, which is higher than the benchmark lending rate by banks in the PRC (being 3.45% per annum for one-year loans, based on the Renminbi loan prime rate promulgated by the People’s Bank of China as at the Latest Practicable Date). Based on the above, the Directors are of the view that the Deposits being interest-free is fair and reasonable and in the interest of the Company and the Shareholders as a whole, and in line with the market practice and on normal commercial terms.

Note:

- (i) *Annual return rate of Deposits is calculated as follows:*

$$\begin{array}{l} \text{Annual return rate of} \\ \text{Deposits for CIFI} \\ \text{Agency Services rendered} \\ \text{to the CIFI Group} \end{array} = \frac{\text{Revenue generated from CIFI Agency Services} \\ \text{rendered to the CIFI Group involving payment of} \\ \text{Deposits in the year}}{(\text{Opening balance of Deposits in the year} + \\ \text{Closing balance of Deposits in the year})/2}$$

Based on the above, the Directors (including the independent non-executive Directors after considering the advice from Gram Capital) are of the view that the payment of the Deposits is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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 the 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 entering into of the relevant Individual Agreements are to be approved by the finance department of the Group;

LETTER FROM THE BOARD

- (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 of the Group has developed standards for selection of projects and would consider the results of a “four-dimensional evaluation” for the potential projects and 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 spaces 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. The same standards are applicable to both connected persons and customers which are Independent Third Parties. The Group does not give preferential treatment to connected persons. If comparable market rates of deposits are available, the proposed rate of Deposits and the payment of the Deposits will generally be compared with the market rate of at least three projects with similar features to ensure that such proposed rate of Deposits and the payment of the Deposits is not higher than those projects; if no comparable market rates of deposits is available, the fairness and reasonableness of the proposed rate of Deposits and the payment of the Deposits will be determined based on the pricing policies mentioned in the paragraph headed “Basis of determination of the Proposed Caps” above to ensure that the Group can achieve a reasonable return in participating in the project(s);
- (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 finance 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 business department of the relevant member 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 letter(s) through the Group’s lawyers 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.

LETTER FROM THE BOARD

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.

To the best knowledge of the Directors and having made all reasonable enquiries, none of the persons involved in the internal control procedures are dependent on the CIFI Group and/or its associates (other than the Group).

INFORMATION ON THE PARTIES

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.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 understood from the Stock Exchange in mid-2023 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.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei, acting in a consensual manner, are entitled to exercise the voting rights of approximately 38.96%² of the total issued share capital of the Company through investment holding companies controlled by them, including Elite Force, Spectron, Rosy Fortune and Sun-Mountain Trust, and therefore are deemed to have material interests in the transactions contemplated under the Individual Agreements. Furthermore, Mr. Ru Hailin, Mr. Yang Xin and Mr. Ge Ming, each being a director of CIFI Holdings, also holds Shares, they are therefore considered to have material interests in the transactions contemplated under the Individual Agreements. As a result, each of Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei, CIFI Holdings (Group) Co. Ltd. and the abovementioned investment holding companies, as well as Mr. Ru Hailin, Mr. Yang Xin and Mr. Ge Ming is required to abstain from voting on the resolution in relation to the Proposed Caps at the EGM. As at the Latest Practicable Date, (a) Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei and their respective associates, directly and indirectly, held 681,500,000 Shares (representing approximately 38.96% of the total issued share capital of the Company), and (b) Mr. Ru Hailin, Mr. Yang Xin and Mr. Ge Ming held 1,050,000 Shares, 20,000 Shares and 1,900,000 Shares (representing approximately 0.06%, 0.001% and 0.11% of the total issued share capital of the Company), respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the above, none of the Shareholders is required to abstain from voting on the resolution in relation to the Proposed Caps to be proposed at the EGM.

BOARD APPROVAL

At the Board meeting held to approve the Proposed Caps, each of Mr. Lin Zhong and Mr. Lin Feng (being a former director whose resignation took effect on 30 November 2023 as disclosed in the announcement of the Company dated 30 November 2023) was considered as having a material interest in the transactions contemplated thereunder. Accordingly, each of Mr. Lin Zhong and Mr. Lin Feng has abstained from voting on the Board resolution for approving the Proposed Caps.

Save as disclosed above, none of the Directors had material interest in the aforesaid transactions and was required by the Listing Rules to abstain from voting on the Board resolution in respect of the Proposed Caps.

² As disclosed in the announcement of the Company dated 30 November 2023, Mr. Lin Feng had transferred all his issued shares of Best Legend to an employee of the Company (who is not a connected person of the Company) to administer the share award scheme adopted by Best Legend on 18 June 2019, which led to Best Legend, holding approximately 6.68% of the total issued shares of the Company as at the Latest Practicable Date, to be wholly owned by such employee. As a result, Best Legend is not considered to have a material interest in the transactions contemplated under the Individual Agreements, and therefore is not required to abstain from voting on the resolution in relation to the Proposed Caps at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 26 to 27 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Proposed Caps; and (ii) the letter from Gram Capital as set out on pages 28 to 44 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Caps, as well as the principal factors and reasons taken into account by Gram Capital in arriving at its advice.

The Directors (excluding the Directors who have abstained from voting as more particularly described above and the independent non-executive Directors whose opinions are given in the letter from the Independent Board Committee contained in this circular) are of the view that the Proposed Caps are fair and reasonable, on normal commercial terms and are set under the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all the 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 the Independent Shareholders in relation to the Proposed Caps.

(2) PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from “CIFI Ever Sunshine Services Group Limited” to “Ever Sunshine Services Group Limited” and the dual foreign name of the Company in Chinese from “旭辉永升服务集团有限公司” to “永升服务集团有限公司”.

CONDITIONS OF THE CHANGE OF COMPANY NAME

The Change of Company Name is subject to the satisfaction of the following conditions:

- (i) the passing of a special resolution by the Shareholders at the EGM to approve the Change of Company Name; and
- (ii) the Registrar of Companies in the Cayman Islands approving the Change of Company Name.

Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect upon the date of the issue of a certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands confirming that the new English name and the new dual foreign name in Chinese of the Company have been registered. The Company will then carry out the necessary filing procedures with the Companies Registry in Hong Kong.

LETTER FROM THE BOARD

REASONS FOR THE CHANGE OF COMPANY NAME

The Board considered that the proposed new English name and dual foreign name of the Company in Chinese are more aligned with the Group's long-term independent market-oriented development strategy as an independent entity, and could strengthen the overall individual branding of the Group, enhance the awareness of the business of the Group among other property owners/owners' associations and/or property developers in the PRC, collaborate with a broader range of prominent customers, and create value to its customers and the Shareholders.

The Board is of the opinion that the Change of Company Name will benefit the future business development of the Company and is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE CHANGE OF COMPANY NAME

The Change of Company Name will not affect any rights of the existing holders of securities of the Company or the Company's daily business operation and its financial position.

All existing share certificates in issue bearing the present English name and dual foreign name in Chinese of the Company (the "Existing Share Certificates") shall, upon the Change of Company Name becoming effective, continue to be evidence of legal title to such securities and the Existing Share Certificates will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for exchange of the Existing Share Certificates for new share certificates bearing the new English name and dual foreign name of the Company in Chinese. Once the Change of Company Name becomes effective, new share certificates will be issued in the new English name and dual foreign name of the Company in Chinese.

Subject to the confirmation of the Stock Exchange, the English and Chinese stock short names of the Company for trading in the Shares on the Stock Exchange will also be changed upon the Change of Company Name becomes effective.

Further announcement(s) will be made by the Company in relation to (i) the effective dates of the Change of Company Name and, (ii) the change of the English and Chinese stock short names of the Company.

BOARD APPROVAL AND SHAREHOLDERS' APPROVAL

At the Board meeting held to approve the Change of Company Name, none of the Directors had material interest therein and therefore, none of them was required by the Listing Rules to abstain from voting on the Board resolution in respect of the Change of Company Name.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the special resolution in relation to the Change of Company Name to be proposed at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Change of Company Name is in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the relevant special resolution to be proposed at the EGM.

EGM

Set out on pages 53 to 55 of this circular is the notice of the EGM which will be held at No.1 Conference Room, 9/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 28 February 2024 at 10:00 a.m.. At the EGM, (i) an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Proposed Caps; and (ii) a special resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Change of Company Name.

Voting by poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Any Shareholders and his/her/its associate(s) who are involved or interested in the resolutions are required to abstain from voting.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each share registered in his/her name in the register. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same way.

An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Closure of register of members

The EGM will be convened and held on Wednesday, 28 February 2024. For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 23 February 2024 to Wednesday, 28 February 2024, both days inclusive, during which period no transfer of the Shares can be registered.

In order to be eligible to attend and vote at the EGM, all Share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's 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 not later than 4:30 p.m. on Thursday, 22 February 2024.

LETTER FROM THE BOARD

Form of proxy

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.cifies.com*). Shareholders who intend to appoint a proxy to attend the EGM shall complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (being 10:00 a.m. on Monday, 26 February 2024) or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish and in such event, the proxy shall be deemed to be revoked.

GENERAL INFORMATION

Your attention is drawn to the appendix headed "General Information" to this circular.

Yours faithfully
By order of the Board
CIFI Ever Sunshine Services Group Limited
LIN Zhong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders in respect of approving the Proposed Caps.



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)

31 January 2024

To the Independent Shareholders

Dear Sir and Madam,

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

We refer to the circular dated 31 January 2024 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Proposed Caps are fair and reasonable, on normal commercial terms and are set under the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendation of Gram Capital.

Gram Capital has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with the Proposed Caps. Details of the advice from Gram Capital, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 28 to 44 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 25 of the Circular and the general information set out in the Appendix I of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information as set out in the letter from the Board, the Proposed Caps, the factors and reasons considered by, and the opinion of Gram Capital as set out in its letter of advice, we are of the view that the Proposed Caps are fair and reasonable, on normal commercial terms and are set under 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 in relation to the approval of the Proposed Caps to be proposed at the EGM.

Yours faithfully
For and on behalf of the
Independent Board Committee
CIFI Ever Sunshine Services Group Limited

Mr. MA Yongyi
*Independent Non-executive
Director*

Mr. YU Tiecheng
*Independent Non-executive
Director*

Mr. CHEUNG Wai Chung
*Independent Non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Caps for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

31 January 2024

*To: The independent board committee and the independent shareholders
of CIFI Ever Sunshine Services Group Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PAYMENT OF DEPOSITS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 January 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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. With reference to the Board Letter, the Deposits constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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The Independent Board Committee comprising Mr. MA Yongyi, Mr. YU Tiecheng and Mr. CHEUNG Wai Chung (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Proposed Caps are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Caps are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Proposed Caps at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors/the Company's management (the "**Management**"). We have assumed that all information and representations that have been provided by the Directors/the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the 2022 CIFI Sales Agency Services Framework Agreement and the Proposed Caps. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 the Circular is accurate and complete

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in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CIFI Holdings or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of setting the Proposed Caps. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Proposed Caps

Business overview of the Group

The Group is a property management service provider in the PRC and its business covers a wide spectrum of properties. With reference to the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"), the Group operates four major business lines, namely (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owners; and (iv) city services, which form a comprehensive service portfolio offering to its customers and cover the entire value chain of the property management industry.

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Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from the 2022 Annual Report:

	For the year ended 31 December 2022	For the year ended 31 December 2021	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Revenue	6,276,479	4,702,816	33.46
- <i>Property management services</i>	3,887,811	2,654,425	46.47
- <i>Community value-added services</i>	1,020,063	1,099,484	(7.22)
- <i>Value-added services to non-property owners</i>	964,429	867,362	11.19
- <i>City services</i>	403,350	80,579	400.56
- <i>Others</i>	826	966	(14.49)
Gross profit	1,293,283	1,299,865	(0.51)
Profit and total comprehensive income attributable to owners of the Company	480,111	617,014	(22.19)
	As at 31 December 2022	As at 31 December 2021	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Cash and cash equivalents	1,534,374	3,985,046	(61.50)

As illustrated in the above table, the Group's revenue was approximately RMB6,276 million for the year ended 31 December 2022 ("FY2022"), representing an increase of approximately 33.46% as compared to that for the year ended 31 December 2021 ("FY2021"). With reference to the 2022 Annual Report, such increase was mainly due to the combination effect of (i) increase in revenue generated from property management services, primarily driven by growth of the Group's total gross floor area under management; (ii) decrease in revenue generated from community value-added services (in particular, property agency services business, which was affected by COVID-19 pandemic and weakened property market in the PRC); (iii) increase in revenue generated from value-added services to non-property owners, primarily driven by increase in revenue generated from additional tailored services and housing repair services; and (iv) increase revenue generated from city services, primarily due to acquisition of a reputable environmental sanitation service provider in October 2021.

Despite the above substantial increase in the Group's revenue from FY2021 to FY2022, the Group's gross profit for FY2022 decreased slightly by approximately 0.51% as compared to that for FY2021, as a result of increased cost of services primarily driven by increase in various kinds of costs alongside the scale-up of the Group's business.

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The profit and total comprehensive income attributable to owners of the Company was approximately RMB480 million for FY2022, represented a decrease of approximately 22.19% as compared to that for FY2021. With reference to the 2022 Annual Report, such decrease was primarily due to (i) increase in administrative and selling expenses caused by increase in personnel investment corresponding to increase in headcount of administrative and sales staff to cater the growth of the Group's business volume; and (ii) increase in expected credit loss on financial assets, as partially offset by increase in other income and other gains.

With reference to the 2022 Annual Report, as a property management company, the Group has the responsibility to actively cooperate with the local government in neighbourhood governance work to safeguard the health and living convenience of property owners, while always prioritising the safety of the Group's staff. In the face of the new challenges and opportunities ahead, the Group's management will lead the Group's staff to overcome obstacles and challenges and move forward quickly in line with the Group's set goals.

Set out below is a summary of the consolidated financial information of the Group for the six months ended 30 June 2023 (with comparative figures) as extracted from the Company's interim report for the six months ended 30 June 2023 (the "2023 Interim Report"):

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	3,183,694	3,162,874	0.66
- <i>Property management services</i>	2,190,093	1,891,753	15.77
- <i>Community value-added services</i>	410,021	545,206	(24.80)
- <i>Value-added services to non-property owners</i>	371,694	540,474	(31.23)
- <i>City services</i>	208,543	184,471	13.05
- <i>Others</i>	3,343	970	244.64
Gross profit	643,253	812,885	(20.87)
Profit and total comprehensive income attributable to owners of the Company	240,435	377,375	(36.29)

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	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)	Change %
Total assets	8,511,959	8,043,127	5.83
- Prepayments and other receivables	1,537,914	1,718,894	(10.53)
- Cash and cash equivalents	1,750,105	1,534,374	14.06
Total liabilities	(3,395,639)	(3,210,473)	5.77
Net assets	5,116,320	4,832,654	5.87

With reference to the 2023 Interim Report, the Group's revenue for the six months ended 30 June 2023 ("1H2023") approximates to that for the six months ended 30 June 2022 ("1H2022"), mainly as a result of increase in (i) revenue generated from property management services, primarily driven by the Group's steady cooperation with CIFI Group, continuous efforts to expand third-party customer base and acquisition of other property management service providers; and (ii) revenue generated from city services, as mostly offset by decrease in (a) revenue generated from community value-added services, mainly due to decrease in revenue from home-living services and property agency services which were affected by overall economic situation and weakened property market in the PRC; and (b) revenue generated from value-added services to non-property owners, mainly due to downturn of the PRC real estate industry.

Despite that the Group's revenue for 1H2023 approximates to that for 1H2022, the Group's gross profit for 1H2023 decreased by approximately 20.87% as compared to that for 1H2022, as a result of increased cost of services. With reference to the 2023 Interim Report, increased cost of services was primarily due to increase in various kinds of costs alongside the scale-up of the Group's business.

The profit and total comprehensive income attributable to owners of the Company was approximately RMB240 million for 1H2023, represented a decrease of approximately 36.29% as compared to that for 1H2022. With reference to the 2023 Interim Report, such decrease was primarily due to decrease in the Group's gross profit, other income and other gains, as partially offset by decrease in administrative expenses and income tax expense.

As depicted from the table above, changes in the Group's total assets, total liabilities and net assets from 31 December 2022 to 30 June 2023 were not substantial (below 10%). The Group's net assets increased from 31 December 2022 to 30 June 2023 mainly due to the Group's profit and total comprehensive income recorded for 1H2023.

As depicted from the table above, the Group's prepayments and other receivables (including deposits for exclusive sales representative agreements, other deposits, prepayments and receivables) decreased by approximately 10.53% from 31 December 2022 to 30 June 2023.

With reference to the 2023 Interim Report, the Group had net cash inflow from operating activities, net cash inflow from investing activities and net cash outflow from financing activities for 1H2023. The Group's cash and cash equivalents increased by approximately 14.06% from approximately RMB1,534 million as at 31 December 2022 to approximately RMB1,750 million as at 30 June 2023.

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With reference to the 2023 Interim Report:

- (i) The Group made positive progress as it endeavoured to overcome challenges in the face of a complex and volatile economic environment. Despite the less-than-expected economic recovery, the Group closely monitored market trends, flexibly adjusted its strategies and continued to improve its service quality. The Group's management will continue to lead the team to fast-track the Company's goals and provide excellent property services to the Group's customers.
- (ii) The Group also planned to (a) increase number of managed properties and floor area, and further optimize its professional marketing team to strategically assess and participate in biddings to acquire more property management business and enhance its service quality; (b) diversify its value-added services to non-property owners by enhancing its capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing repair services; and (c) invest in technology and smart operations to enhance its quality and operational efficiency.
- (iii) As a long-term service partner of CIFI Group, the Group has been building a stable market-oriented collaborative partnership with CIFI Group. The Group still adhered to the "dependence but not reliance" development principle with CIFI Group and continued to improve and adjust its strategies to ensure that its cooperation with CIFI Group continues to develop steadily.

Information of CIFI Holdings

With reference to the Board Letter, 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: 884). 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.

Reasons for and benefits of the Proposed Caps

With reference to the Board Letter, 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.

With reference to the Board Letter, 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. As advised by the Management, the revenue generated from the CIFI Agency Services were accounted for the Group's

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revenue under community value-added services segment (in particular, property agency services). 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.

For our due diligence purpose,

- (a) we obtained from the Company, lists of individual agreements in respect of sales agency transactions of the Group with (i) CIFI Group (connected person); and (ii) third parties who are not connected persons of the Company, for FY2021 and FY2022 (which are the latest two full financial years of the Company);
- (b) we randomly selected from the aforesaid lists and obtained from the Company, three individual agreements with CIFI Group and three individual agreements with third parties who are not connected persons of the Company (as such samples cover the latest two full financial years of the Company, we consider the number of samples to be fair and representative);
- (c) we noted from the aforesaid documents that the transaction mechanism (including scope of services (sales agency services for car parking spaces and/or storage spaces), deposit payment methods (by instalment) and deposit refund method (by periodical set-off against purchase price received by sales agent and full refund of remaining balance (if any) upon agreement expiry/termination)) under individual agreements with CIFI Group was the same with those under individual agreements with third parties who are not connected persons of the Company; and
- (d) we noted from the aforesaid documents that deposits rates under individual agreements with CIFI Group were no less favourable than those under individual agreements with third parties who are not connected persons of the Company (all of them were determined on instalment basis at same rate of 100% of Base Price (instead of determined on a lump sum basis at a percentage of pre-determined sale price)).

With reference to the Board Letter, 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 Rules.

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With reference to the Board Letter, the Board understood from the Stock Exchange in mid-2023 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.

With reference to the Board Letter, the Company has used and will use the Deposits refunded and to be refunded by the CIFI Group for paying a large portion of the Deposits under the Individual Agreements entered into on or after 1 July 2023. Therefore, the payment of Deposits will not utilise a substantial amount of the Group's working capital based on present trends, and the Group will have sufficient working capital thereafter. The amount of Deposits expected to be paid to the CIFI Group is nil for the year ended 31 December 2023 and approximately RMB58.65 million for the year ending 31 December 2024 (“FY2024”) (the Group's cash and cash equivalents were approximately RMB1,750 million as at 30 June 2023).

Having considered that (i) Deposits payable under the Individual Agreements are part and parcel of the 2022 CIFI Sales Agency Services Framework Agreement; (ii) the revenue generated from the CIFI Agency Services were accounted for the Group's revenue under community value-added services segment (in particular, property agency services); and (iii) the payment of Deposits will not utilise a substantial amount of the Group's cash and cash equivalents, we are of the view that payment of the Deposits and the Proposed Caps are set in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Major mechanism of the Deposits

Major mechanism of the Deposits, including payment, rates and refund of Deposits are set out under the sections headed “The payment of the Deposits”, “The rates of the Deposits” and “Refund of Deposits” of the Board Letter.

With reference to the Board Letter, in general, where the Group is engaged by the CIFI Group on an exclusive basis to provide the CIFI Agency Services, the Group would normally be required to pay Deposits to the CIFI Group. The Deposits are payable by the Group either on (i) a lump sum basis which is in a wide range of above 10% but not exceeding 50% of the pre-determined sale price, or (ii) an instalment basis for up to 100% of the Base Price (as the case may be). When determining the payment and the rates of Deposits, the relevant member of the Group would consider the factors as set out under the section headed “The payment of the Deposits” of the Board Letter.

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We conducted an independent research on comparable transactions (“**Comparable Transactions**”) involving payment of refundable deposits in respect of sales agency services for car parking spaces which were announced by Hong Kong listed companies engaged in property management in the PRC during 3 October 2022 to 26 September 2023 (being a period of approximately one year prior to and including the date of announcement in relation to the Proposed Caps). We identified Comparable Transactions on a best-effort basis and did not subjectively carve out any findings. We consider the aforesaid review period to be reasonable for including sufficient Comparable Transactions on a non-exhaustive basis. Despite that the Comparable Transactions were identified on a non-exhaustive basis, we consider the Comparable Transactions to be sufficient as they included transactions of various Hong Kong listed companies which were engaged in property management in the PRC. Details of the Comparable Transactions are set out below:

Company name (stock code)	Announcement date	Deposit rate	Interest rate	Refund mechanism
Sino-Ocean Service Holding Limited (6677)	14 October 2022	No more than 50% of base price (which shall not exceed 80% of the average price of comparable parking spaces in the surrounding markets thereof)	Nil	Periodical refund, and refund remaining balance upon contract expiry/termination
Roiserv Lifestyle Services Co., Ltd. (2146)	15 November 2022	100% of base price (which is 70% to 80% of the agreed market price)	Not disclosed	Set-off, and refund remaining balance upon contract expiry/termination
Poly Property Services Co., Ltd. (6049)	16 November 2022	No more than 50% of base price (which shall not exceed 80% of the agreed price for sales)	Not disclosed	Periodical refund, and refund remaining balance upon contract completion/ expiry/termination
Ronshine Service Holding Co., Ltd (2207)	23 November 2022	15% of estimated market value	Nil	Periodical refund, and refund remaining balance upon contract completion/ expiry
Shimao Services Holdings Limited (873)	6 December 2022	No more than 35% of base price	Nil	Periodical refund/set-off, and refund remaining balance upon contract expiry
Times Neighborhood Holdings Limited (9928)	21 March 2023	Not disclosed	Nil	Not disclosed
S-Enjoy Service Group Co., Limited (1755)	21 April 2023 and 8 May 2023	100% of base price	Not disclosed	Refund corresponding amount upon completion of sales and refund remaining balance upon contract expiry
Redsun Services Group Limited (1971)	7 June 2023	100% of base price	Nil	Set-off corresponding amount upon completion of sales and refund remaining balance within a period after relevant contracts expiry
The Company	26 September 2023	(i) 10% to 50% of pre-determined sale price; or (ii) 100% of base price	Nil	Periodical set-off, and refund remaining balance upon contract expiry/termination

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As depicted from the above table, (i) maximum deposit rate of the Comparable Transactions is 80% of agreed market price (as compared with “above 10% but not exceeding 50% of the pre-determined sale price” for the Deposits) or 100% of base price (as compared with “up to 100% of the Base Price” for the Deposits); and (ii) refund mechanisms of the Comparable Transactions involve periodical refund/set-off and refund of remaining balance upon contract completion/expiry/termination. Accordingly, we consider the deposit rate and refund mechanism of the Deposits are not uncommon as compared to the market practices.

With reference to the Board Letter, 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 measures as set out under the section headed “INTERNAL CONTROL MEASURES” of the Board Letter (the “**IC Measures**”). For our due diligence purpose, we obtained from the Company a set of transaction documents (including assessment/approval forms, contract and refund record) in respect of provision of the CIFI Agency Services for a project during 2022 and 2023. Nothing from the aforesaid transaction documents came to our attention which caused us to doubt their compliance with the IC Measures in respect of transaction approvals and refund. We consider that a set of transaction documents is sufficient for our due diligence purpose from an independent financial adviser’s perspective.

With reference to the Board Letter, taking into account (i) financial results published by CIFI Holdings; (ii) long-term cooperation between the CIFI Group and the Group; (iii) historical payment record of payments due from the CIFI Group to the Group (including refunding of Deposits); (iv) stable income stream that has been generated by the Group from provision of the CIFI Agency Services; and (v) the liquidity issue (if any) faced by the CIFI Group, mainly relating to its offshore indebtedness and proposed restructuring, would not affect the CIFI Group’s ability to fulfil its onshore liabilities as (i) the PRC subsidiaries of the CIFI Group (i.e. being parties to the relevant Individual Agreements) have not guaranteed any of the CIFI Group’s offshore bank loans, senior notes and convertible bonds; and (ii) the CIFI Group’s offshore indebtedness do not materially affect its onshore financing arrangements as a whole, the Board is of the view that the repayment capacity of such PRC subsidiaries of the CIFI Group has not been adversely affected and the credit risk of the Deposits paid to the CIFI Group is relatively low.

We noted from CIFI Holdings’ interim report for 1H2023 that CIFI Group’s total assets, total liabilities and net assets were approximately RMB363 billion, approximately RMB288 billion and approximately RMB75 billion respectively as at 30 June 2023. CIFI Group also had bank balances and cash of approximately RMB20 billion as at 30 June 2023. With reference to CIFI Holdings’ announcement dated 11 October 2023, from January to September 2023, the CIFI Group recorded (i) aggregated contracted sales (including contracted sales by joint ventures and associated companies) amounted to approximately RMB56.45 billion with contracted gross floor area of approximately 3,977,600 sq.m.; (ii) contracted average selling price (excluding car parking spaces and storage spaces) of approximately RMB15,100/sq.m.; and (iii) contracted sales attributable to the equity owners of CIFI Holdings of approximately RMB29.27 billion.

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With reference to the Board Letter, as at the Latest Practicable Date, there had been no defaults with respect to the refund obligations of the Deposits by the CIFI Group. To minimise the credit risk in relation to the payment of the Deposits, the Company will (i) perform credit assessment procedures including but not limited to evaluating occupants' feedback of the sold car parking spaces/storage spaces of the CIFI Group, conducting market research on the business reputation of relevant members of the CIFI Group and reviewing the financial statements of the members of the CIFI Group from time to time, and (ii) request the members of the CIFI Group to provide financial metrics to the Group on a regular basis for ongoing credit assessment so as to monitor the refunding status of the Deposits regularly. In the event of a delay in the Deposits to the Group, the relevant member of the Group will promptly take appropriate actions in order to protect its interest under the Individual agreements and the 2022 CIFI Sales Agency Services Framework Agreement. For our due diligence purpose, we obtained from the Company internal record of the aforesaid credit assessment for a project in October 2023 which indicated that the possibility of default with respect to the refund obligation of the Deposits by the CIFI Group was low.

In light of the above, we consider the credit risk of the Deposits to be acceptable.

2. The Proposed Caps

Set out below are (i) the historical maximum daily balances of the Deposits for the two years ended 31 December 2022; and (ii) the Proposed Caps for the period commencing from 1 July 2023 to 31 December 2023 (“**2H2023**”) and FY2024:

	For FY2021 <i>RMB'million</i>	For FY2022 <i>RMB'million</i>
Maximum daily balances of Deposits	126.01	887.19
	For 2H2023 <i>RMB'million</i>	For FY2024 <i>RMB'million</i>
Proposed Caps	510.06	525.10

In determining the Proposed Caps, the Company mainly considered the factors as set out under the section headed “Basis of determination of the Proposed Caps” of the Board Letter. To assess the fairness and reasonableness of the Proposed Caps, we obtained the calculation of the Proposed Caps (the “**Calculation**”) from the Company. According to the Calculation, the Proposed Caps were formulated by adding a 10% buffer on the estimated maximum balance of Deposits for each of 2H2023 and FY2024.

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Estimated maximum balance of Deposits for 2H2023

According to the Calculation, the balance of Deposits for 2H2023 comprises (i) (a) remaining Deposits and (b) Deposits to be paid under existing Individual Agreements to be renewed during 2H2023 (“**2023 Renewed Agreements**”); and (ii) Deposits to be paid under new Individual Agreements to be executed during 2H2023 (“**2023 Executed Agreement(s)**”), as further elaborated below:

- (i) (a) The remaining Deposits under the 2023 Renewed Agreements (to be renewed during 2H2023) were determined by Deposits paid before renewal minus the amount set-off (i.e. accumulated number of sold units multiplied by Base Prices).
- (b) The Deposits to be paid under the 2023 Renewed Agreements were determined by the Deposits instalment payable pursuant to such Individual Agreements minus the amount to be set-off (i.e. number of units to be sold before renewal multiplied by Base Prices).
- (ii) The Deposits to be paid under the 2023 Executed Agreements were determined by multiplying (a) number of units undertaken; (b) Base Prices of units undertaken; and (c) Deposits ratio (the “**Deposits Ratios**”) for 2H2023, pursuant to such Individual Agreements, minus the amount to be set-off (i.e. number of units to be sold multiplied by Base Prices), if any.

Sales rates

For estimation of units to be sold under the 2023 Renewed Agreements, the Company adopted annual sales rates as derived from the actual historical sales rates of the projects under the existing Individual Agreements. For our due diligence purpose, we obtained relevant historical sales record from the Company and noted that the adopted annual sales rates are the same to the actual historical sales rates of relevant projects.

For estimation of units to be sold under the 2023 Executed Agreements, the Company adopted annual sales rates as determined with reference to assessment and inspection of project sites and neighbouring areas 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.

Base Prices

For the 2023 Renewed Agreements, the Company adopted their existing Base Prices for the Calculation. For our due diligence purpose, we obtained relevant record from the Company and noted that the adopted Base Prices are the actual existing Base Prices.

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For the 2023 Executed Agreements, the Company estimated their Base Prices by multiplying (i) target sale prices of the units concerned; and (ii) expected discount rates, which were determined based on market conditions, average selling price of assets/properties in neighbourhood, economic conditions of the PRC and particular area where the property is situated.

For our due diligence purpose, we obtained from the Company an assessment form in relation to a potential 2023 Executed Agreement and noted the aforesaid assessment factors relating to annual sales rates, target sale prices and expected discount rates.

Deposits Ratios

The Company estimated Deposits Ratios according to the above-mentioned discount rates adopted. Higher Deposits Ratios were estimated for higher discount rates adopted.

Determining the “peak”

In the Calculation, the Company also conducted sensitivity analysis by examining the estimated maximum balance of Deposits in different months to determine the “peak month” for 2H2023 in which the estimated balance of Deposits will be highest during 2H2023. The sensitivity analysis examines when the highest estimated balance of Deposits will be after taking into account Deposits to be set-off (balance decreases) and Deposits to be paid (balance increases) prior to and including each particular month. During our discussion with the Company on the sensitivity analysis, we did not identify any circumstance which caused us to doubt the reasonableness of the sensitivity analysis.

Estimated maximum balance of Deposits for FY2024

According to the Calculation, the balance of Deposits for FY2024 comprises (i) remaining Deposits under the 2023 Renewed Agreements and the 2023 Executed Agreements; (ii) (a) remaining Deposits and (b) Deposits to be paid under existing Individual Agreements to be renewed during FY2024 (the “**2024 Renewed Agreements**”); and (iii) Deposits to be paid under the 2023 Executed Agreements and new Individual Agreements to be executed during FY2024 (“**2024 Executed Agreements**”), as further elaborated below:

- (i) The Company estimated the remaining Deposits under the 2023 Renewed Agreements and the 2023 Executed Agreements by carrying forward the balance of Deposits under such Individual Agreements and minus the amount to be set-off (i.e. number of units to be sold multiplied by Base Prices).
- (ii) (a) The remaining Deposits under the 2024 Renewed Agreements were determined by Deposits paid before renewal minus the amount set-off (i.e. accumulated number of sold units multiplied by Base Prices).
- (b) The Deposits to be paid under the 2024 Renewed Agreements were determined by the Deposits instalment payable pursuant to such Individual Agreements minus the amount to be set-off (i.e. number of units to be sold before renewal multiplied by Base Prices).

LETTER FROM GRAM CAPITAL

- (iii) The Deposits to be paid under the 2023 Executed Agreements and the 2024 Executed Agreements were determined by multiplying (a) number of units undertaken; (b) Base Prices of units undertaken; and (c) Deposits Ratios for FY2024, pursuant to such Individual Agreements, minus the amount to be set-off (i.e. number of units to be sold multiplied by Base Prices), if any.

Sales rates

For estimation of units to be sold under the 2023 Renewed Agreements and the 2024 Renewed Agreements, the Company adopted annual sales rates as derived from the actual historical sales rates of the projects under the existing Individual Agreements. For our due diligence purpose, we obtained relevant historical sales record from the Company and noted that the adopted annual sales rates are the same to the actual historical sales rates of relevant projects.

For estimation of units to be sold under the 2023 Executed Agreements and the 2024 Executed Agreements, the Company adopted annual sales rates as determined with reference to assessment and inspection of project sites and neighbouring areas 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.

Base Prices

For the 2023 Renewed Agreements and the 2024 Renewed Agreements, the Company adopted their existing Base Prices for the Calculation. For our due diligence purpose, we obtained relevant record from the Company and noted that the adopted Base Prices are the actual existing Base Prices.

For the 2023 Executed Agreements and the 2024 Executed Agreements, the Company estimated their Base Prices by multiplying (i) target sale prices of the units concerned; and (ii) expected discount rates, which were determined based on market conditions, average selling price of assets/properties in neighbourhood, economic conditions of the PRC and particular area where the property is situated.

For our due diligence purpose, we obtained from the Company an assessment form in relation to a potential 2024 Executed Agreement and noted the aforesaid assessment factors relating to annual sales rates, target sale prices and expected discount rates.

Deposits Ratios

The Company estimated Deposits Ratios according to the above-mentioned discount rates adopted. Higher Deposits Ratios were estimated for higher discount rates adopted.

LETTER FROM GRAM CAPITAL

Determining the “peak”

In the Calculation, the Company also conducted sensitivity analysis by examining the estimated maximum balance of Deposits in different months to determine the “peak month” for FY2024 in which the estimated balance of Deposits will be highest during FY2024. The sensitivity analysis examines when the highest estimated balance of Deposits will be after taking into account Deposits to be set-off (balance decreases) and Deposits to be paid (balance increases) prior to and including each particular month. During our discussion with the Company on the sensitivity analysis, we did not identify any circumstance which caused us to doubt the reasonableness of the sensitivity analysis.

Buffer

As aforementioned, the Proposed Caps were formulated by adding a 10% buffer on the estimated maximum balance of Deposits for each of 2H2023 and FY2024. We consider the buffer of 10% to be moderate and we also noted that it is common for Hong Kong listed companies to incorporate buffer of 10% in proposed annual caps according to their announcements/circulars regarding continuing connected transactions.

Having considered the Calculation and its underlying factors as explained above, we consider the Proposed Caps to be fair and reasonable.

3. Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum daily balance of the Deposits must be restricted by the Proposed Caps; (ii) the terms of the CIFI Agency Services (including the Deposits) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the CIFI Agency Services (including the Deposits) must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CIFI Agency Services (including the Deposits) (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the Proposed Caps are anticipated to be exceeded, or that there is any proposed material amendment to the terms of the CIFI Agency Services (including the Deposits), as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CIFI Agency Services (including the Deposits) and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the Proposed Caps are set under the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the Proposed Caps are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Proposed Caps and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

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 Group. 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) Interests of Directors

As at the Latest Practicable Date, the Directors and chief executives of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Director	Nature of interest	Number of Shares/ underlying shares held ⁽¹⁾	Approximate percentage of shareholding in the Company (%) ⁽¹⁾
Mr. LIN Zhong ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	681,500,000	38.96
Mr. ZHOU Hongbin	Beneficial owner	58,053,250	3.32
Mr. ZHOU Di	Beneficial owner	3,046,000	0.17

Notes:

(1) As at the Latest Practicable Date, the Company had 1,749,220,000 Shares in issue.

- (2) Elite Force is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force entrusted Spectron to exercise voting rights of the Shares directly held by Elite Force since 30 June 2020, while Elite Force continues to beneficially own the said Shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong is deemed to be interested in the Shares held by Elite Force.
- (3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus. By virtue of the SFO, Mr. Lin Zhong is deemed to be interested in the Shares held by Spectron.
- (4) Rosy Fortune Investments Limited (“**Rosy Fortune**”) is wholly-owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust (Singapore) Limited (“**Standard Chartered Trust**”) as the trustee of the Lin’s Family Trust via SCTS Capital Pte. Ltd. (“**SCTS Capital**”). The Lin’s Family Trust is a discretionary trust set up jointly by our ultimate controlling shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin’s Family Trust include certain family members of Mr. Lin Zhong. By virtue of the SFO, Mr. Lin Zhong is deemed to be interested in the 1,000,000 Shares held by Rosy Fortune.
- (5) Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and the beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. By virtue of the SFO, Mr. Lin Zhong is deemed to be interested in the 500,000 Shares held by Sun-Mountain Trust.

Interest in associated corporations

Name of Director	Associated corporation	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding interest (%)
Mr. LIN Zhong ⁽¹⁾⁽²⁾	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust, beneficial owner and interest of his spouse	4,111,527,727	39.48
Mr. ZHOU Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01
Mr. ZHOU Di	CIFI Holdings	Beneficial owner	80,000	0.001
Ms. Cui Xiaoqing	CIFI Holdings	Beneficial owner	489,216	0.005
Mr. LIN Zhong ⁽³⁾	Xu Sheng	Interested in a controlled corporation	1	100
Mr. LIN Zhong ⁽⁴⁾	Spectron	Interested in a controlled corporation	1	100
Mr. LIN Zhong ⁽⁵⁾	Elite Force	Beneficial owner	100	100

Notes:

- (1) 1,363,754,301 shares of CIFI Holdings are held by Ding Chang Limited (“**Ding Chang**”). The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,363,754,301 shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.
- (2) 2,737,372,105 shares of CIFI Holdings are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin’s Family Trust via SCTS Capital. The Lin’s Family Trust is a discretionary trust set up jointly by our ultimate controlling shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin’s Family Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as one of the co-founders of the Lin’s Family Trust is taken to be interested in the 2,737,372,105 shares of CIFI Holdings held by Rosy Fortune pursuant to Part XV of the SFO.
- (3) Xu Sheng Limited (“**Xu Sheng**”) is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong is deemed to be interested in the shares of Xu Sheng held by CIFI Holdings.
- (4) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong is deemed to be interested in the shares of Spectron held by CIFI Holdings.
- (5) The entire issued share capital of Elite Force is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus . Mr. Lin Zhong is taken to be interested in the shares of Elite Force pursuant to Part XV of the SFO.

Interests in Debentures of Associated Corporation

Name of Director	Associated corporation	Capacity/nature of interest	Approximate percentage of aggregate principal amount of the relevant debentures	
			Principal amount of relevant debentures held	amount of the relevant debentures issued (%)
Mr. LIN Zhong ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	CIFI Holdings	Co-founder of a discretionary trust	US\$1 million	0.18
		Co-founder of a discretionary trust	US\$1 million	0.24
		Co-founder of a discretionary trust	US\$1 million	0.67

Notes:

- (1) The 6% senior notes (securities stock code: 40120) due 2025 with the aggregate principal amount of US\$567 million were issued by CIFI Holdings in January 2020, which are listed on the Stock Exchange (the “**6% Senior Notes**”). For details of the 6% Senior Notes, please refer to the announcements of CIFI Holdings dated 8 January 2020 and 10 January 2020 respectively.
- (2) The 4.375% senior notes due 2027 with the aggregate principal amount of US\$419 million were issued by CIFI Holdings in January 2021, which are listed on the Stock Exchange (the “**4.375% Senior Notes**”).
- (3) The 4.8% senior notes due 2028 with the aggregate principal amount of US\$150 million were issued by CIFI Holdings in May 2021, which are listed on the Stock Exchange (the “**4.8% Senior Notes**”).
- (4) The principal amount of US\$1 million of the 6% Senior Notes, 4.375% Senior Notes and 4.8% Senior Notes are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin’s Family Trust via SCTS Capital. The Lin’s Family Trust is a discretionary trust set up jointly by our ultimate controlling shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin’s Family Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as one of the co-founders of the Lin’s Family Trust is taken to be interested in the principal amount of such senior notes held by Rosy Fortune pursuant to Part XV of the SFO.

Save from disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, as indicated by the register recording share interests and short positions required to be kept under Section 336 of Part XV of the SFO, the persons (not being Directors or chief executives of the Company) listed in the following table had interest and/or short positions in the Shares or underlying shares of the Company:

Long positions in the Shares

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Mr. LIN Wei ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	681,500,000	38.96
Mr. LIN Feng ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	681,500,000	38.96
Elite Force ⁽²⁾	Beneficial owner	273,180,000	15.62
Spectron	Beneficial owner	406,820,000	23.26
Xu Sheng ⁽³⁾	Interest in a controlled corporation	406,820,000	23.26
CIFI Holdings ⁽⁴⁾	Interest in a controlled corporation	406,820,000	23.26
Best Legend	Beneficial owner	116,791,250	6.68
Mr. YU Chieh Jet ⁽⁶⁾	Interest in a controlled corporation	116,791,250	6.68

Notes:

- (1) As at the Latest Practicable Date, the Company had 1,749,220,000 Shares in issue.
- (2) Elite Force is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force entrusted Spectron to exercise voting rights of the Shares directly held by Elite Force since 30 June 2020, while Elite Force continues to beneficially own the said Shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, each of Mr. Lin Wei and Mr. Lin Feng is deemed to be interested in the Shares held by Elite Force.
- (3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.
- (4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.

- (5) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our ultimate controlling shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Wei and Mr. Lin Feng. By virtue of the SFO, each of Mr. Lin Wei and Mr. Lin Feng is deemed to be interested in the Shares held by Rosy Fortune.
- (6) Best Legend is wholly owned by Mr. Yu Chieh Jet (an employee of the Company who is not a connected person of the Company) to administer the share award scheme adopted by Best Legend on 18 June 2019.

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Lin Zhong, being an executive Director, was a substantial shareholder of and held directorship in CIFI Holdings. In 2021, CIFI Group commenced operation of its own property management business in some projects, which was considered to be competing business for the Group. Therefore, Mr. Lin Zhong was considered to have interests in competing business for the Group which were required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

Save as disclosed above, none of the Directors or their respective close associates (as defined in the Listing Rules) is interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder, other than being a director of the Company and/or its subsidiaries.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, 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 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2022 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, 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.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the Company's website (www.cifies.com) and the HKEXnews website (www.hkexnews.hk) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (a) the 2022 CIFI Sales Agency Services Framework Agreement; and
- (b) the written consent of Gram Capital referred to in the paragraph headed "Expert and Consent" in this paragraph.

11. MISCELLANEOUS

This circular and the accompanying proxy form have been prepared in both English and Chinese. In the event of discrepancies, the English text of this circular shall prevail over the Chinese text.

** For identification purpose only*

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of CIFI Ever Sunshine Services Group Limited (the “Company”) will be convened and held at No.1 Conference Room, 9/F, Building 39 Henderson CIFI Centre, Lane 1088, Shenhong Road, Minhang District, Shanghai, the PRC on Wednesday, 28 February 2024 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, pass the following resolution (with or without amendments) as ordinary resolution of the Company:

1. **“THAT**

- (a) the proposed caps for the maximum daily balance of the refundable deposits (the “**Deposits**”) to be paid by the Company and its subsidiaries (together, the “**Group**”) to CIFI Holdings (Group) Co. Ltd. and its subsidiaries (together, the “**CIFI Group**”) pursuant to 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 sale 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 (the “**Individual Agreements**”) to be entered into on or after 1 July 2023 and up to 31 December 2024 (which excludes the balance of the Deposits that were paid and/or are payable pursuant to Individual Agreements entered into prior to 1 July 2023) as set out in the circular of the Company dated 31 January 2024 be and are hereby confirmed, approved and ratified; and
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the payment of the Deposits pursuant to the Individual Agreements.”

NOTICE OF EGM

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following resolution (with or without amendments) as a special resolution of the Company:

2. **“THAT**

subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands having been obtained, (i) the English name of the Company be changed from “CIFI Ever Sunshine Services Group Limited” to “Ever Sunshine Services Group Limited”; and (ii) the dual foreign name of the Company in Chinese be changed from “旭辉永升服务集团有限公司” to “永升服务集团有限公司”, and that any one or more of the Directors or the company secretary of the Company be and are hereby authorised to do all such acts, deeds and things and execute all such documents and make all such arrangements as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the change of company name and to attend to any necessary registration and/or filing for and on behalf of the Company.”

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

Hong Kong, 31 January 2024

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

Principal place of business in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen’s Road East
Wanchai, Hong Kong

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.
- (ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EGM

- (iii) In order to be valid, the form of proxy must 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 together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Monday, 26 February 2024) or any adjournment thereof. The completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish.

- (iv) For the purpose of ascertaining shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 23 February 2024 to Wednesday, 28 February 2024, both days inclusive and during which period no share transfer will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's 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, not later than 4:30 p.m. on Thursday, 22 February 2024.

- (v) In respect of the ordinary resolution above, general information containing further details is set out in Appendix I to the accompanied circular dated 31 January 2024.

- (vi) References to time and dates in this notice are to Hong Kong time and dates.

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