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Ronshine Service Holding Co., Ltd
融信服務集團股份有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2207)

CONTINUING CONNECTED TRANSACTION

CARPARK SALES AGENCY SERVICE FRAMEWORK AGREEMENT

CARPARK SALES AGENCY SERVICE FRAMEWORK AGREEMENT

Reference is made to the section headed “Connected Transactions” in the prospectus of the Company dated 30 June 2021 in relation to the Master Ronshine Property Management and Related Services Agreement. On 21 July 2022 (after trading hours), Ronshine Shiou and Shanghai Rongmao (both indirect wholly-owned subsidiaries of the Company) entered into the Carpark Sales Agency Service Framework Agreement with Ronshine Fujian Investment (an indirect wholly-owned subsidiary of Ronshine China) to provide a framework for the provision of sales agency services by the Group in respect of certain car parking spaces owned by Ronshine China Group, for a period commencing from 21 July 2022 and ending on 31 December 2022 (both days inclusive).

Pursuant to the Carpark Sales Agency Service Framework Agreement, the Group shall pay deposits to Ronshine China Group for obtaining the Exclusive Sales Agency Rights in respect of the Exclusive Car Parking Spaces, which is expected to amount to approximately RMB50 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ronshine Fujian Investment is an indirect wholly-owned subsidiary of Ronshine China, which in turn is indirectly owned as to 65.96% by Mr. Ou, a controlling shareholder of the Company and an executive Director and hence a connected person of the Company. As Ronshine China and Ronshine Fujian Investment are associates of Mr. Ou, they are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the Carpark Sales Agency Service Framework Agreement and the transactions contemplated thereunder shall constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The provision of sales agency services under the Carpark Sales Agency Service Framework Agreement shall continue to be transactions pursuant to the Master Ronshine Property Management and Related Services Agreement, and the Agency Fee payable by Ronshine China Group to the Group shall be subject to the relevant annual caps thereunder. As such, no separate cap has been set for the provision of the sales agency services under the Carpark Sales Agency Service Framework Agreement.

As the highest of the applicable percentage ratios for the proposed annual cap amount in respect of the Deposit payable by the Company under the Carpark Sales Agency Service Framework Agreement is more than 0.1% but less than 5%, the Carpark Sales Agency Service Framework Agreement is subject to the reporting, annual review and announcement requirements, but is exempted from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the section headed "Connected Transactions" in the prospectus of the Company dated 30 June 2021 in relation to the Master Ronshine Property Management and Related Services Agreement. On 21 July 2022 (after trading hours), Ronshine Shiou and Shanghai Rongmao (both indirect wholly-owned subsidiaries of the Company) entered into the Carpark Sales Agency Service Framework Agreement with Ronshine Fujian Investment (an indirect wholly-owned subsidiary of Ronshine China) to provide a framework for the provision of sales agency services by the Group in respect of certain car parking spaces owned by Ronshine China Group, for a period commencing from 21 July 2022 and ending on 31 December 2022 (both days inclusive).

CARPARK SALES AGENCY SERVICE FRAMEWORK AGREEMENT

Date

21 July 2022

Parties

- (i) Ronshine Fujian Investment;
- (ii) Ronshine Shiou; and
- (iii) Shanghai Rongmao.

Term

From 21 July 2022 to 31 December 2022 (both days inclusive)

Subject

Pursuant to the Carpark Sales Agency Service Framework Agreement, Ronshine China Group shall engage the Group to provide sales agency services in respect of certain car parking spaces owned by Ronshine China Group on an exclusive basis (the “**Exclusive Car Parking Spaces**”). During the term of the Carpark Sales Agency Service Framework Agreement, Shanghai Rongmao shall be the exclusive service provider of the sales agency services and Ronshine Fujian Investment shall not engage other third parties for such services in respect of the Exclusive Car Parking Spaces, nor to sell, transfer or dispose of in any other manner any of the Exclusive Car Parking Spaces to third parties without written consent from Ronshine Shiou and Shanghai Rongmao (the “**Exclusive Sales Agency Rights**”). Pursuant to the Carpark Sales Agency Service Framework Agreement, Ronshine Shiou shall advertise the Exclusive Car Parking Spaces to relevant property owners and provide measures to aid Shanghai Rongmao’s sales of the Exclusive Car Parking Spaces.

The Carpark Sales Agency Service Framework Agreement is a framework agreement which provides the mechanism for the operation of the continuing connected transactions contemplated thereunder. It is envisaged that from time to time and as required, individual transaction agreements will be required to be entered into between Ronshine Fujian Investment (and/or its subsidiaries), Ronshine Shiou and Shanghai Rongmao (the “**Specific Agreement(s)**”, and each a “**Specific Agreement**”). Each Specific Agreement may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Carpark Sales Agency Service Framework Agreement. As the Specific Agreements are simply further elaborations on the Carpark Sales Agency Service Framework Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Pricing policy and other terms

The agency service fee to be paid by Ronshine Fujian Investment to Shanghai Rongmao as contemplated under the Carpark Sales Agency Service Framework Agreement (the “**Agency Fee**”) shall be calculated as follows:

As of the date of the Carpark Sales Agency Service Framework Agreement, the market value of the Exclusive Car Parking Spaces is RMB340 million (the “**Estimated Value**”) as estimated by Ronshine Fujian Investment based on the available transaction price of comparable car parking spaces in the surrounding markets of the Exclusive Car Parking Spaces, while taking into account factors such as the project’s occupancy rate, number of available car parking lots, sales stage, and quality of the car parking lots. The parties have also agreed on a base price for the sales of the Exclusive Car Parking Spaces of RMB220 million (the “**Base Price**”) which is approximately 65% of the Estimated Value. The discount rate of the Base Price is determined with reference to the discount rate of the industry’s base price. Ronshine Fujian Investment will transfer the Exclusive Car Parking Spaces to third party customers designated by Shanghai Rongmao at a price (the “**Sales Price**”) which shall not be lower than the Base Price.

The Agency Fee for Shanghai Rongmao will be the sum of (i) the multiple of the Base Price and an agreed rate of 3% to 5% and (ii) the multiple of the difference between the Sales Price and the Base Price (if any) and another agreed rate of 3% to 5%. The range of commission fee rate above has been determined with reference to the range of commission fee rate adopted by other companies based on publicly available information and the commission fee rate arrangement adopted by Ronshine China Group with Independent Third Parties. The actual commission fee rate as agreed in each Specific Agreement and the terms thereof will be no less favourable to the Group than those available to Independent Third Parties. Ronshine Fujian Investment shall settle the payment of the Agency Fee to Shanghai Rongmao on a monthly basis after receiving the sales payment from third party customers.

It is expected that the maximum aggregate amount of the Agency Fee for Shanghai Rongmao, together with the other service fees which may be received under the Master Ronshine Property Management and Related Services Agreement will not exceed the annual cap of RMB368.0 million for the year ending 31 December 2022.

The Board will review and consider from time to time the sufficiency of the annual caps for the continuing connected transactions contemplated under the Master Ronshine Property Management and Related Services Agreement and the Carpark Sales Agency Service Framework Agreement with reference to actual business development and needs and will revise the annual caps when necessary in compliance with the Listing Rules.

Deposit for the Exclusive Sales Agency Rights

In consideration of the granting of the Exclusive Sales Agency Rights, Ronshine Shiou shall pay a deposit to Ronshine Fujian Investment, which shall be 15% of the Estimated Value (the “**Deposit**”). The initial Deposit is expected to amount to approximately RMB50 million, which represents approximately 4.3% of the total assets and 6.6% of the cash and bank balances of the Group as at 31 December 2021. The Deposit is expected to be funded by the internal resources of the Group.

Pursuant to the Carpark Sales Agency Service Framework Agreement, the Deposit paid shall be refunded in full to Ronshine Shiou in the following manner:

- (i) the Deposit shall be adjusted on a monthly basis (the “**Adjustment**”) with reference to the total estimated value of the unsold Exclusive Car Parking Spaces as at the last day of each calendar month. If the Deposit amount after Adjustment is higher than the Deposit already paid, Ronshine Shiou shall supplement the corresponding deficit portion of the Deposit to Ronshine Fujian Investment within five business days of the Adjustment. Conversely, if the Deposit after Adjustment is lower than the Deposit already paid, Ronshine Fujian Investment shall refund the corresponding excess portion of the Deposit to Ronshine Shiou without interest within five business days of the Adjustment; and
- (ii) the remaining balance of the Deposit (if any) shall be repayable to Ronshine Shiou without interest within 30 business days after the expiration of the Carpark Sales Agency Service Framework Agreement or when Ronshine Shiou and Shanghai Rongmao have completed all respective duties as stipulated under the Carpark Sales Agency Service Framework Agreement and the Specific Agreements.

By paying the Deposit to acquire the Exclusive Sales Agency Rights, Shanghai Rongmao will be entitled to a two-layer commission structure. The terms in respect of the Deposit offered under the Carpark Sales Agency Service Framework Agreement are no less favourable than those available to Independent Third Parties. The Company believes that the provision of exclusive sales agency services in respect of the Exclusive Car Parking Spaces can broaden the Group's revenue base, enhance profitability and bring valuable returns to the Shareholders. Accordingly, the Board considers the Deposit and the rate of the Deposit to be normal business practices.

Basis for determining the Deposit to be 15% of the Estimated Value

The Company believes that the Deposit, which represents 15% of the Estimated Value is fair and reasonable after considering the following factors:

- (i) as the Group would obtain the Exclusive Sales Agency Rights over the Exclusive Car Parking Spaces, an upfront payment of the Deposit was considered by Ronshine China Group to be necessary from a commercial perspective and in line with the similar transactions conducted by other companies listed on the Stock Exchange based on publicly available information. The Deposit arrangement was considered by the parties to be mutually beneficial;
- (ii) the rate of 15% of the Estimated Value is within the range of the earnest money/deposit payable for obtaining exclusive sales agency right, which earnest money/deposit could be up to 100% of the base price of the car parking lots, as observed in the sales agency transactions of other companies listed on the Stock Exchange based on publicly available information;
- (iii) the Deposit at 15% of the Estimated Value would represent only a fraction of the market value of the Exclusive Car Parking Spaces. In the unlikely event that Ronshine China Group fails to refund the Deposit to the Group, the Group may reduce the Sales Price of the remaining Exclusive Car Parking Spaces to accelerate and complete the sale so as to facilitate recovery of the Deposit;
- (iv) the bank deposit interest rate available to the Group in the PRC is approximately 0.3% to 1.5% per annum. Although the Deposit will be refundable to the Group interest-free, the Company believes that the potential return from the exclusive sales agency arrangement (including the potential Agency Fee that could be earned by the Group) will outweigh the potential bank interest income that could be derived from placing the Deposit with banks or other financial institutions; and
- (v) the Agency Fee will be payable to the Group on a monthly basis and the corresponding portion of the Deposit will also be refunded to the Group on a monthly basis. The monthly settlement cycle implies that a relatively short credit period has been granted by the Group to Ronshine China Group, and the Group would be able to closely monitor the credit risk relating to the Deposit.

In view of the above, the Board considers that the major risks in payment of the Deposit under the Carpark Sales Agency Service Framework Agreement is low and that the potential risk is further mitigated with reference to, among other matters, the following factors:

- (i) the long track record period of Ronshine China, which wholly-owns Ronshine Fujian Investment, as a company listed on the Main Board of the Stock Exchange (stock code: 3301) since January 2016 with net current assets of approximately RMB60,587 million and cash and bank balances (excluding restricted cash) of approximately RMB11,720 million as at 31 December 2021 as disclosed in the 2021 annual report of Ronshine China; and
- (ii) the Exclusive Car Parking Spaces are situated in property projects that are under the management of the Group. The Group can utilize its existing resources and network to promote the sales of the car parking spaces to the potential buyers who are tenants or owners of the properties in a cost-efficient manner, thereby contributing to the gradual recovery of the Deposit regardless throughout the term of the Carpark Sales Agency Service Framework Agreement.

Proposed annual cap for the Deposit and basis

With reference to the applicable requirements under Chapter 14A of the Listing Rules, the proposed annual cap for the Deposit payable by Ronshine Shiou for the year ending 31 December 2022 shall be RMB50 million.

There were no historical amounts available as at the date of this announcement. The above annual cap has been determined primarily by reference to:

- (i) the Estimated Value of car parking spaces of Ronshine Fujian Investment available for sales by Shanghai Rongmao as an agent for the year ending 31 December 2022 pursuant to the Carpark Sales Agency Service Framework Agreement, taking into account factors including, but not limited to, the number of car parking spaces agency projects under negotiation currently known to Shanghai Rongmao, historical sales of car parking spaces of relevant projects and the surrounding comparable average price range, resources that Shanghai Rongmao may allocate to the business, and the ability to meet the service demand; and
- (ii) the Estimated Value of the Exclusive Car Parking Spaces of RMB340 million as assessed by Ronshine Fujian Investment based on the available transaction price of comparable car parking spaces in the surrounding markets of the Exclusive Car Parking Spaces, while taking into account factors such as the project's occupancy rate, number of available car parking lots, sales stage, and quality of the car parking lots; and the Deposit equivalent to 15% of the Estimated Value of the Exclusive Car Parking Spaces, being approximately RMB50 million.

Reasons and benefits

The Company believes that, by cooperating with Ronshine Fujian Investment in the sales agency business for car parking spaces owned by Ronshine Fujian Investment, the Company can further expand and diversify the Group's business and broaden the Group's revenue base, enhancing the Group's profitability and bringing better returns to the Shareholders.

The Directors (including the independent non-executive Directors) consider that (i) the transactions contemplated under the Carpark Sales Agency Service Framework Agreement are entered into in the usual and ordinary course of business of the Company, are conducted on normal commercial terms, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole, and (ii) the proposed annual cap for the year ending 31 December 2022 for those transactions is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ronshine Fujian Investment is an indirect wholly-owned subsidiary of Ronshine China, which in turn is indirectly owned as to 65.96% by Mr. Ou, a controlling shareholder of the Company and an executive Director and hence a connected person of the Company. As Ronshine China and Ronshine Fujian Investment are associates of Mr. Ou, they are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the Carpark Sales Agency Service Framework Agreement and the transactions contemplated thereunder shall constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The provision of sales agency services under the Carpark Sales Agency Service Framework Agreement shall continue to be transactions pursuant to the Master Ronshine Property Management and Related Services Agreement, and the Agency Fee payable by Ronshine China Group to the Group shall be subject to the relevant annual caps thereunder. As such, no separate cap has been set for the provision of the sales agency services under the Carpark Sales Agency Service Framework Agreement.

As the highest of the applicable percentage ratios for the proposed annual cap amount in respect of the Deposit payable by the Company under the Carpark Sales Agency Service Framework Agreement is more than 0.1% but less than 5%, the Carpark Sales Agency Service Framework Agreement is subject to the reporting, annual review and announcement requirements, but is exempted from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

As a general principle, the price and terms of the Specific Agreements contemplated under the Carpark Sales Agency Service Framework Agreement will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis, on similar basis as the Company transacts business with other independent service providers or transaction parties and shall be on terms which are no less favourable to the Company than those offered by other independent service providers or transaction parties.

The respective pricing policies for the continuing connected transactions of the Company will be supervised and monitored by the relevant personnel and management of the Company to ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Company and will not be prejudicial to the interests of the Company and the Shareholders as a whole. The relevant personnel and management of the Company will conduct regular checks on a quarterly basis and assess whether individual transactions contemplated under continuing connected transactions are conducted in accordance with the terms of the relevant agreement and will also regularly review on a quarterly basis whether the price charged/paid for a specific transaction is fair and reasonable and in accordance with the applicable pricing policy. The independent non-executive Directors will continue to review the transactions contemplated under the Carpark Sales Agency Service Framework Agreement, and the auditors of the Company will also conduct an annual review on the pricing terms and annual cap thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Carpark Sales Agency Service Framework Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

GENERAL

As at the date of this announcement, Mr. Ou, a controlling shareholder of the Company and an executive Director, is indirectly interested in 65.96% shareholding of Ronshine China. Accordingly, Mr. Ou is considered to have a material interest in the transactions contemplated under the Carpark Sales Agency Service Framework Agreement and therefore has abstained from voting on the Board resolutions approving the entering into of the Carpark Sales Agency Service Framework Agreement and the transactions contemplated thereunder.

Save as disclosed, none of the other Directors has a material interest in the transactions contemplated under Carpark Sales Agency Service Framework Agreement and is required to abstain from voting on the Board resolutions approving the entering into of the Carpark Sales Agency Service Framework Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES TO THE CARPARK SALES AGENCY SERVICE FRAMEWORK AGREEMENT

Ronshine Shiou, Shanghai Rongmao and the Company

Ronshine Shiou is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company which is primarily engaged in the provision of property management services in the PRC.

Shanghai Rongmao is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company which is primarily engaged in provision of real estate agency services.

The Company is an investment holding company. The Group is a comprehensive and fast-growing property management services provider in the PRC, offering diversified property management services for both residential and non-residential properties. The Group is primarily engaged in the provision of (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services.

Ronshine Fujian Investment and Ronshine China

Ronshine Fujian Investment is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Ronshine China which is primarily engaged in property development.

Ronshine China is an investment holding company, the shares of which are listed on Main Board of the Stock Exchange (stock code: 3301). Ronshine China Group is a property developer in the PRC, focusing on the development of residential properties in cities in the Western Taiwan Straits Economic Zone and selected first- and second-tier cities. Ronshine China Group is primarily engaged in the development of mid- to high-end residential properties, and also develops commercial properties integrated with or in the vicinity of its residential properties, including office buildings, retail shops and other commercial properties.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Carpark Sales Agency Service Framework Agreement”	the framework agreement entered into between Ronshine Fujian Investment, Ronshine Shiou and Shanghai Rongmao on 21 July 2022 in relation to the provision of sales agency services by the Group to Ronshine China Group in respect of certain car parking spaces owned by Ronshine China Group, the details of which are set out in the “CARPARK SALES AGENCY SERVICE FRAMEWORK AGREEMENT” section of this announcement
“Company”	Ronshine Service Holding Co., Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2207)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Ronshine Property Management and Related Services Agreement”	the agreement dated 3 November 2020 entered into between Ronshine China and the Company in relation to the provision of property management and related services by Ronshine Service Group to the properties owned or used by Ronshine China Group in the PRC, for a term from 3 November 2020 to 31 December 2022 (both days inclusive)
“Mr. Ou”	Mr. Ou Zonghong (歐宗洪), executive Director and one of the controlling shareholders of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Ronshine China”	Ronshine China Holdings Limited (融信中國控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on Main Board of the Stock Exchange (stock code: 3301), and is indirectly owned as to 65.96% by Mr. Ou
“Ronshine China Group”	Ronshine China and its subsidiaries
“Ronshine Fujian Investment”	Rongxin (Fujian) Investment Group Co., Ltd.* (融信(福建)投資集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Ronshine China
“Ronshine Shiou”	Rongxin Shiou Property Service Group Co., Ltd.* (融信世歐物業服務集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shanghai Rongmao”	Shanghai Rongmao Real Estate Brokerage Co., Ltd.* (上海融茂房地產經紀有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Share(s)”	the ordinary share(s) with nominal value of HK\$0.01 each in the capital of the Company
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Ronshine Service Holding Co., Ltd
Ou Zonghong
Chairman

Hong Kong, 21 July 2022

As at the date of this announcement, Mr. Ou Zonghong, Mr. Ma Xianghong, and Ms. Lin Yi are the executive directors; Ms. Lin Liqiong is the non-executive director; and Mr. Ye Azhong, Mr. Chen Zhangwang and Mr. Kwok Kin Kwong Gary are the independent non-executive directors.

* *The English translation of the Chinese names in this announcement where indicated is included for information only.*