
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Redsun Services Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Redsun Services Group Limited

弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 36 of this circular. A notice convening the EGM to be held at Room 2612, 26/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong on Wednesday, 1 March 2023 at 11:00 a.m. is set out on pages 69 to 71 of this circular. A form of proxy for use at the EGM is also sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rsunservice.hk).

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare, the branch share registrar of the Company in Hong Kong, 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 or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

PRECAUTIONARY MEASURES FOR PHYSICAL ATTENDANCE AT THE EGM

To ensure the safety of the EGM attendees and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM. These measures include, but are not limited to:

1. conducting compulsory body temperature checks and requiring health declarations;
2. wearing of surgical face mask at all times; and
3. not providing souvenirs and beverages.

Any attendee who (a) does not comply with the precautionary measures; (b) is subject to any HKSAR Government prescribed quarantine or has close contact with any person under quarantine; or (c) has any flu-like symptoms or is otherwise unwell will be denied entry into or be requested to leave the meeting venue.

Shareholders are strongly encouraged to appoint the Chairman of the EGM as their proxy, instead of attending the EGM in person in consideration of health and safety reasons.

10 February 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 8 December 2022 in relation to, among other things, the Non-exempt Continuing Connected Transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Redsun Services Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1971)
“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 directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Room 2612, 26/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong on Wednesday, 1 March 2023 at 11:00 a.m., or any adjournment thereof
“Existing Continuing Connected Transactions”	collectively, the transactions contemplated under the (i) the Existing Parking Space Sales and Leasing Agency Services Framework Agreement; (ii) the Existing Property Management Services Master Framework Agreement; (iii) the Existing Redsun Materials City Management Services Agreement; and (iv) the Existing Redsun Business World Management Services Agreement
“Existing Parking Space Sales and Leasing Agency Services Framework Agreement”	the existing parking space sales and leasing agency services framework agreement dated 11 March 2020 entered into between Nanjing Hong Yang Property Management and Redsun Properties in relation to the provision of parking space sales and leasing agency services by Nanjing Hong Yang Property Management Group to Redsun Properties and its associates for a term from 11 March 2020 to 31 December 2022

DEFINITIONS

“Existing Property Management Services Master Framework Agreement”	the existing property management services master framework agreement dated 11 March 2020 entered into between Nanjing Hong Yang Property Management and Redsun Properties in relation to the provision of property management services by Nanjing Hong Yang Property Management Group to Redsun Properties and its associates for a term from 11 March 2020 to 31 December 2022
“Existing Redsun Business World Management Services Agreement”	the existing management services agreement dated 16 June 2020 entered into between the Company and Redsun Business World in relation to the provision of management services by the Company to the commercial complex of Redsun Business World for a term from 7 July 2020 to 31 December 2022
“Existing Redsun Materials City Management Services Agreement”	the existing framework management services agreement dated 16 June 2020 entered into between the Company and Redsun Materials City in relation to the provision of management services to commercial properties by the Company to Redsun Materials City Group before Restructuring for a term from 7 July 2020 to 31 December 2022
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Yang Group Company”	Hong Yang Group Company Limited (弘陽集團有限公司), a limited liability company incorporated in Hong Kong on 22 October 2003, and a controlling Shareholder
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Ms. Wang Fen, Mr. Li Xiaohang and Mr. Zhao Xianbo) established for the purpose of reviewing the Non-exempt Continuing Connected Transactions
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation under the SFO to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions
“independent third party(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Jiangsu Hong Yang Commercial”	Jiangsu Hong Yang Commercial (Group) Co., Ltd. (江蘇弘陽商業(集團)有限公司), a limited liability company established in the PRC on 4 July 2006, and an indirect wholly-owned subsidiary of Mr. Zeng
“Jiangsu Hong Yang Commercial Group”	Jiangsu Hong Yang Commercial and its subsidiaries
“Latest Practicable Date”	6 February 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Zeng”	Mr. Zeng Huansha (曾煥沙), founder of the Group and a controlling Shareholder
“Nanjing Hong Yang Property Management”	Nanjing Hong Yang Property Management Co., Ltd. (南京弘陽物業管理有限公司), a limited liability company established in the PRC on 30 July 2003, and an indirect wholly-owned subsidiary of the Company
“Nanjing Hong Yang Property Management Group”	Nanjing Hong Yang Property Management and its subsidiaries
“New Continuing Connected Transactions”	collectively, (i) the New Parking Space Sales and Leasing Agency Services Framework Agreement; (ii) the New Property Management Services Master Framework Agreement; (iii) the New Redsun Materials City Management Services Agreement; (iv) the New Jiangsu Hong Yang Commercial Management Services Agreement; (v) the New Shanghai Hong Yang Business Management Services Agreement and (vi) the New Redsun Business World Management Services Agreement
“New Jiangsu Hong Yang Commercial Management Services Agreement”	the framework management services agreement dated 8 December 2022 entered into between the Company and Jiangsu Hong Yang Commercial in relation to the provision of management services to commercial properties by the Company to Jiangsu Hong Yang Commercial Group for a term from 1 January 2023 to 31 December 2025

DEFINITIONS

“New Parking Space Sales and Leasing Agency Services Framework Agreement”	the parking space sales and leasing agency services framework agreement dated 8 December 2022 entered into between the Company and Redsun Properties in relation to the provision of parking space sales and leasing agency services by the Group to Redsun Properties and its associates for a term from 1 January 2023 to 31 December 2025
“New Property Management Services Master Framework Agreement”	the property management services master framework agreement dated 8 December 2022 entered into between the Company and Redsun Properties in relation to the provision of property management services by the Group to Redsun Properties and its associates for a term from 1 January 2023 to 31 December 2025
“New Redsun Business World Management Services Agreement”	the management services agreement dated 8 December 2022 entered into between the Company and Redsun Business World in relation to the provision of management services by the Company to the commercial complex of Redsun Business World for a term from 1 January 2023 to 31 December 2023
“New Redsun Materials City Management Services Agreement”	the framework management services agreement dated 8 December 2022 entered into between the Company and Redsun Materials City in relation to the provision of management services to commercial properties by the Company to Redsun Materials City Group for a term from 1 January 2023 to 31 December 2025
“New Shanghai Hong Yang Business Management Services Agreement”	the framework management services agreement dated 8 December 2022 entered into between the Company and Shanghai Hong Yang Business in relation to the provision of management services to commercial properties by the Company to Shanghai Hong Yang Business Group for a term from 1 January 2023 to 31 December 2025
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the New Property Management Services Master Framework Agreement, the New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement
“PRC”	the People’s Republic of China

DEFINITIONS

“Property Management Services”	the scope of services contemplated to be provided by members of the Group to Redsun Properties and its associates under the New Property Management Services Master Framework Agreement, as described in the paragraph headed “1. New Property Management Services Master Framework Agreement — Scope of Services”
“Prospectus”	the prospectus of the Company dated 24 June 2020
“Redsun Business World”	Nanjing Redsun Business World Co., Ltd. (南京紅太陽商業大世界有限公司), a limited liability company established in the PRC on 16 April 1999 and an associate of Mr. Zeng
“Redsun Materials City”	Jiangsu Redsun Industrial Raw Materials City Co., Ltd. (江蘇紅太陽工業原料城有限公司), a limited liability company established in the PRC on 21 June 2005 and an indirect wholly-owned subsidiary of Hong Yang Group Company
“Redsun Materials City Group”	Redsun Materials City and its subsidiaries
“Redsun Materials City Group before Restructuring”	Redsun Materials City and its subsidiaries (including Jiangsu Hong Yang Commercial and Shanghai Hong Yang Business)
“Redsun Properties”	Redsun Properties Group Limited (弘陽地產集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 December 2017, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1996)
“Redsun Properties Group”	Redsun Properties and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Hong Yang Business”	Shanghai Hongyanghui Business Management Co., Ltd. (上海弘陽匯商業管理有限公司), a limited liability company established in the PRC on 15 January 2019, and an indirect wholly-owned subsidiary of Mr. Zeng
“Shanghai Hong Yang Business Group”	Shanghai Hong Yang Business and its subsidiaries

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the SFO
“%”	per cent



Redsun Services Group Limited

弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

Non-Executive Director:

Mr. ZENG Junkai (*Chairman*)

Executive Directors:

Ms. ZENG Zixi

Independent Non-executive Directors:

Ms. WANG Fen

Mr. LI Xiaohang

Mr. ZHAO Xianbo

Registered Office:

Offices of Walkers Corporate Limited

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

Principal Place of Business and

Head Office in the PRC:

25th Floor

Hong Yang Building

No. 9 Daqiao North Road Nanjing,

Jiangsu Province

the PRC

Place of Business in Hong Kong

registered under part 16

of the Companies Ordinance:

Room 2612, 26/F

China Merchants Tower

Shun Tak Centre

Sheung Wan

Hong Kong

10 February 2023

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Announcement. Pursuant to the requirements under the Listing Rules, the Company will seek the approval of the Independent Shareholders in relation to, *inter alia*, the Non-exempt Continuing Connected Transactions and the respective annual caps.

The purpose of this circular is to provide you with, among other things, (i) further details of the Non-exempt Continuing Connected Transactions and the respective annual caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the respective annual caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the respective annual caps; and (iv) the notice of the EGM.

1. BACKGROUND

Reference is made to the section headed “Continuing Connected Transactions — (B) Summary of our Continuing Connected Transactions — Non-exempt Continuing Connected Transactions” in the Prospectus and the Announcement. As disclosed in the Prospectus, the Company entered into (i) the Existing Parking Space Sales and Leasing Agency Services Framework Agreement; (ii) the Existing Property Management Services Master Framework Agreement; (iii) the Existing Redsun Materials City Management Services Agreement; and (iv) the Existing Redsun Business World Management Services Agreement, for (a) a term from 11 March 2020 to 31 December 2022 for (i) and (ii); and (b) a term from 7 July 2020 to 31 December 2022 for (iii) and (iv), respectively as follows:

- (i) the Existing Parking Space Sales and Leasing Agency Services Framework Agreement in relation to the provision of parking space sales and leasing agency services by the Group to Redsun Properties and its associates;
- (ii) the Existing Property Management Services Master Framework Agreement in relation to the provision of property management services by the Group to Redsun Properties and its associates;
- (iii) the Existing Redsun Materials City Management Services Agreement in relation to the provision of management services to commercial properties by the Company to Redsun Materials City Group before Restructuring; and
- (iv) the Existing Redsun Business World Management Services Agreement in relation to the provision of management services by the Company to the commercial complex of Redsun Business World.

LETTER FROM THE BOARD

It is expected that the Group will from time to time continue to enter into transactions of a nature similar to the Existing Continuing Connected Transactions after the expiry of the agreements to which the Existing Continuing Connected Transactions relate. Accordingly, the Group now seeks to enter into relevant new agreements on substantially the same terms and has entered into the (i) the New Parking Space Sales and Leasing Agency Services Framework Agreement; (ii) the New Property Management Services Master Framework Agreement; (iii) the New Redsun Materials City Management Services Agreement; (iv) the New Jiangsu Hong Yang Commercial Management Services Agreement; (v) the New Shanghai Hong Yang Business Management Services Agreement and (vi) the New Redsun Business World Management Services Agreement on 8 December 2022 (after trading hours). The above transactions constitute the New Continuing Connected Transactions of the Company and among the New Continuing Connected Transactions, the details of the Non-exempted Continuing Connected Transactions are as follows.

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. New Property Management Services Master Framework Agreement

The principal terms of the New Property Management Services Master Framework Agreement are set out below:

Date:	8 December 2022 (after trading hours)
Parties:	(a) the Company (as services provider) (b) Redsun Properties (as services recipient)
Term:	from 1 January 2023 to 31 December 2025, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
Scope of services:	(a) Pre-delivery property management and related services

Members of the Group shall provide pre-delivery property management and related services to Redsun Properties and its associates, including but not limited to planning and design, equipment selection, inspection for each unit, cleaning, gardening, maintenance of public order and security in the phases of property preparation, general layout as well as construction drawings, execution, completion and delivery period in respect of the property projects of Redsun Properties and its associates.

LETTER FROM THE BOARD

(b) Display units and property sales venues management services

Members of the Group shall provide management and related services to the display units and property sales venues of the property projects during the sales period of the property projects of Redsun Properties and its associates, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venue.

(c) Pre-delivery property management services for unsold properties

Members of the Group shall provide pre-delivery property management services to Redsun Properties and its associates for unsold properties (including car parking spaces), including but not limited to security, cleaning, gardening, repair and maintenance.

(d) Commercial properties management services

Members of the Group shall provide management and related services to the commercial properties including office areas, hotels and shopping malls owned or operated by Redsun Properties and its associates and relevant common areas, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues.

(e) Housing repair management services

Members of the Group shall provide routine maintenance and repair management services to the Properties under warranty sold by Redsun Properties and its Associates, including but not limited to housing safety management, housing repair plan management, housing repair quality management, housing repair budget management, housing repair tender management, housing repair cost management, housing repair factor management, housing repair construction management and housing repair construction supervision services.

LETTER FROM THE BOARD

Definitive service agreements will be entered into between the relevant members of the Group and Redsun Properties and its associates for the provision of the Property Management Services. Each definitive agreement will set out the relevant services to be provided by the relevant members of the Group to Redsun Properties and its associates and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the New Property Management Services Master Framework Agreement.

Pricing policy:

The relevant members of the Group shall, where they are selected following the relevant tender processes and other quotation procedures for selection of services providers, provide management and related services to Redsun Properties and its associates according to the tender and quotation documents and definitive management services agreements to be entered into between relevant members of the Group and Redsun Properties and its associates from time to time.

The management fees payable by Redsun Properties and its associates shall be determined based on arm's length negotiation between Redsun Properties and its associates and members of the Group, with reference to a wide range of factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighborhood profile of the relevant properties; (ii) prevailing market price charged by other independent third party services providers to Redsun Properties and its associates in respect of comparable services; and (iii) any applicable rates recommended by the relevant government authorities.

The transactions contemplated under the New Property Management Services Master Framework Agreement shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

LETTER FROM THE BOARD

Payment terms:

(a) Pre-delivery property management and related services

The service fees shall be paid in three stages, namely (i) 40% of the service fees shall be paid within 90 days after the signing of the service contract; (ii) 30% of the service fees shall be paid within 30 days before the delivery of the project; and (iii) the remaining 30% of the service fees shall be paid within 30 days after the delivery of the project which shall be assessed according to the actual assessment results of the project, and the corresponding service fees shall be paid to the Group by bank transfer.

(b) Display units and property sales venues management services

After the entrance of the management services team to the respective properties, the management services team shall submit the invoice and list of the service fees meeting the requirements of the previous month to the project marketing team before 10th of each month, and the project marketing team shall settle the service fees of the previous month within 15 days after receiving the invoice. The corresponding service fees shall be paid to the Group by bank transfer.

(c) Pre-delivery property management services for unsold properties

The service fees for unsold properties shall be paid annually and the vacant property management fee shall be paid in accordance with the service contract regularly.

(d) Commercial properties management services

The service fees of the last quarter shall be paid to the Group before 15th of each quarter.

LETTER FROM THE BOARD

(e) Housing repair management services

The service fees shall be paid to the Group in three stages, namely (i) 45% of the service fees shall be paid one month before the delivery of the project; (ii) 45% of the service fees shall be paid one month before the expiration of the one-year warranty; and (iii) the remaining 10% of the service fees shall be paid one month before the expiration of the two-year warranty.

Reasons for and Benefits of the Transaction

The Group has been providing quality property management services to Redsun Properties and its associates for many years and therefore the parties are more familiar with each other in respects of communication, coordination and service standards, which have certain advantage. As the Existing Property Management Services Master Framework Agreement entered into between the Group and Redsun Properties in 2020 will expire on 31 December 2022, the Group decides to enter into the New Property Management Services Master Framework Agreement so that the Group will continue to provide property management services to Redsun Properties and its associates and create certain synergies accordingly. Through providing services to the owners and owners' committees of properties developed by Redsun Properties and its associates and other property developers, the Group enhances its brand image and recognition, which will in turn promote its property management business.

Historical transaction amounts

The table below sets forth the historical transaction amounts of transactions under the Existing Property Management Services Master Framework Agreement:

	Actual amount incurred (in RMB'000)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the period from 1 January 2022 to 30 September 2022
The total service fees payable by Redsun Properties and its associates to the Group	205,670	241,985	142,284

As far as the Directors are aware, it is expected that the actual amount payable for the year ended 31 December 2022 would not exceed the annual cap under the Existing Property Management Services Master Framework Agreement.

LETTER FROM THE BOARD

Proposed annual caps and basis of determination for annual caps

The proposed annual caps for the transactions contemplated under the New Property Management Services Master Framework Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)
Expected maximum aggregate service fees payable by Redsun Properties and its associates to the Group pursuant to the New Property Management Services Master Framework Agreement	232,919	214,734	183,323

The annual caps under the New Property Management Services Master Framework Agreement are determined with reference to the following factors:

- (i) the historical transaction amounts in respect of the Property Management Services between Redsun Properties and its associates and the Group;
- (ii) the additional scope of management services which may be required by Redsun Properties and its associates from the Group, including housing repair management services;
- (iii) the total GFA of properties developed by Redsun Properties and its associates under the management of the Group and the properties under development held by Redsun Properties and its associates to be managed by the Group based on existing service contracts as at 31 December 2022;
- (iv) the land bank held by Redsun Properties and its associates as at 31 December 2022 and its projected changes for the next three years based on publicly available information;
- (v) the estimated service fee to be charged by the Group in respect of pre-delivery property management and related services, display units and property sales venues management services and pre-delivery property management services for unsold properties based on historical amount and existing contracts;
- (vi) the expected unoccupied rate for property units and car parking spaces under the management of the Group based on historical amount; and

LETTER FROM THE BOARD

(vii) the expected number of contracts in respect of the commercial properties held by Redsun Properties and its associates for which the Group had been or was expected to be engaged to provide property management services as at 31 December 2022.

2. New Redsun Materials City Management Services Agreement

The principal terms of the New Redsun Materials City Management Services Agreement are set out below:

Date: 8 December 2022 (after trading hours)

Parties: (a) the Company (as services provider)
(b) Redsun Materials City (as services recipient)

Term: from 1 January 2023 to 31 December 2025, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Scope of services: Members of the Group shall provide the Redsun Materials City Group with management and related services to its specialized home furnishing and construction materials centers and shopping malls, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues.

Definitive service agreements will be entered into between the relevant members of the Group and the relevant members of the Redsun Materials City Group for the provision of services under the New Redsun Materials City Management Services Agreement. Each definitive agreement will set out the relevant services to be provided by the relevant members of the Group to the relevant members of the Redsun Materials City Group and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the New Redsun Materials City Management Services Agreement.

LETTER FROM THE BOARD

Pricing policy: The service fees to be charged under the New Redsun Materials City Management Services Agreement shall be determined after arm's length negotiations with reference to (i) the anticipated operational costs (including labor costs); and (ii) the prevailing market price for similar services taking into account the size and location of the commercial properties to be managed by the Group, and shall be no more favorable than those offered to independent third parties.

The transactions contemplated under the New Redsun Materials City Management Services Agreement shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms: The service fees of the last quarter shall be paid to the Group before 15th of each quarter.

Reasons for and Benefits of the Transaction

The Group has been committed to provide quality management and the relevant services to the Redsun Materials City Group to meet its daily business needs. As the Existing Redsun Materials City Management Services Agreement entered into between the Group and Redsun Materials City in 2020 will expire on 31 December 2022, the New Redsun Materials City Management Services Agreement was entered into with a view to continue to provide management and relevant services to Redsun Materials City Group, so as to enhance the Group's core competitiveness and brand influence in commercial management and relevant services, which will promote the Group's business development.

LETTER FROM THE BOARD

Historical transaction amounts

The table below sets forth the historical transaction amounts of transactions between the Group and the Redsun Materials City Group under the Existing Redsun Materials City Management Services Agreement:

	<i>Actual amount incurred (in RMB'000)</i>		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the period from 1 January 2022 to 30 September 2022
The total service fees payable by the Redsun Materials City Group to the Group	118,887	110,702	94,368

As far as the Directors are aware, it is expected that the actual amount payable for the year ended 31 December 2022 would not exceed the annual cap under the Existing Redsun Materials City Management Services Agreement.

Proposed annual caps and basis of determination for annual caps

The proposed annual caps for the transactions contemplated under the New Redsun Materials City Management Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)
Expected maximum aggregate service fees payable to the Group by the Redsun Materials City Group pursuant to the New Redsun Materials City Management Services Agreement	53,548	56,188	57,783

LETTER FROM THE BOARD

The annual caps under the New Redsun Materials City Management Services Agreement are determined with reference to the following factors:

- (i) the historical transaction amounts in respect of the management services provided by the Group to the Redsun Materials City Group during the term of the Existing Redsun Materials City Management Services Agreement;
- (ii) the service fees based on existing contract entered into between the Group and Redsun Materials City Group;
- (iii) the expected increase in the number of commercial properties held or operated by the Redsun Materials City Group for which the Group has been or will be engaged to provide property management services; and
- (iv) taking into account of the development stage of each of the commercial properties, inflation rate and expected operational costs increase in relation to the operation of each of the commercial properties for the three years ending 31 December 2025.

3. New Jiangsu Hong Yang Commercial Management Services Agreement

The principal terms of the New Jiangsu Hong Yang Commercial Management Services Agreement are set out below:

- Date: 8 December 2022 (after trading hours)
- Parties: (c) the Company (as services provider)
(d) Jiangsu Hong Yang Commercial (as services recipient)
- Term: from 1 January 2023 to 31 December 2025, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

LETTER FROM THE BOARD

Scope of services: Members of the Group shall provide the Jiangsu Hong Yang Commercial Group with management and related services to its specialized home furnishing and construction materials centers and shopping malls, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues.

Definitive service agreements will be entered into between the relevant members of the Group and the relevant members of the Jiangsu Hong Yang Commercial Group for the provision of services under the New Jiangsu Hong Yang Commercial Management Services Agreement. Each definitive agreement will set out the relevant services to be provided by the relevant members of the Group to the relevant members of the Jiangsu Hong Yang Commercial Group and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the New Jiangsu Hong Yang Commercial Management Services Agreement.

Pricing policy: The service fees to be charged under the New Jiangsu Hong Yang Commercial Management Services Agreement shall be determined after arm's length negotiations with reference to (i) the anticipated operational costs (including labor costs); and (ii) the prevailing market price for similar services taking into account the size and location of the commercial properties to be managed by the Group, and shall be no more favorable than those offered to independent third parties.

The transactions contemplated under the New Jiangsu Hong Yang Commercial Management Services Agreement shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms: The service fees of the last quarter shall be paid to the Group before 15th of each quarter.

LETTER FROM THE BOARD

Reasons for and Benefits of the Transaction

As a national integrated property service provider, commercial property management services are an important segment of the Group. As Jiangsu Hong Yang Commercial is one of the related parties of the Group, the provision of quality commercial property management services to it can bring business growth and higher revenue to the Group, and it is also more convenient for both parties to communicate and coordinate, therefore the Group decides to enter into the New Jiangsu Hong Yang Commercial Management Services Agreement.

Historical transaction amounts

The table below sets forth the historical transaction amounts of transactions between the Group and the Jiangsu Hong Yang Commercial Group under the Existing Redsun Materials City Management Services Agreement:

	Actual amount incurred (in RMB'000)		
	For the	For the	For the period
	year ended	year ended	from
	31 December	31 December	1 January
	2020	2021	2022 to
			30 September
			2022
The total service fees payable by the Jiangsu Hong Yang Commercial Group to the Group	—	—	—

As far as the Directors are aware, it is expected that the actual amount payable for the year ended 31 December 2022 would not exceed the annual cap under the Existing Redsun Materials City Management Services Agreement.

LETTER FROM THE BOARD

Proposed annual caps and basis of determination for annual caps

The proposed annual caps for the transactions contemplated under the New Jiangsu Hong Yang Commercial Management Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)
Expected maximum aggregate service fees payable to the Group by the Jiangsu Hong Yang Commercial Group pursuant to the New Jiangsu Hong Yang Commercial Management Services Agreement	29,478	30,515	31,474

The annual caps under the New Jiangsu Hong Yang Commercial Management Services Agreement are determined with reference to the following factors:

- (i) the historical transaction amounts in respect of the management services provided by the Group to the Jiangsu Hong Yang Commercial Group during the term of the Existing Redsun Materials City Management Services Agreement;
- (ii) the service fees based on existing contract entered into between the Group and the Jiangsu Hong Yang Commercial Group;
- (iii) the expected increase in the number of commercial properties held or operated by the Jiangsu Hong Yang Commercial Group for which the Group has been or will be engaged to provide property management services; and
- (iv) taking into account of the development stage of each of the commercial properties, inflation rate and expected operational costs increase in relation to the operation of each of the commercial properties for the three years ending 31 December 2025.

LETTER FROM THE BOARD

4. New Shanghai Hong Yang Business Management Services Agreement

The principal terms of the New Shanghai Hong Yang Business Management Services Agreement are set out below:

- Date: 8 December 2022 (after trading hours)
- Parties: (a) the Company (as services provider)
(b) Shanghai Hong Yang Business (as services recipient)
- Term: from 1 January 2023 to 31 December 2025, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
- Scope of services: Members of the Group shall provide the Shanghai Hong Yang Business Group with management and related services to its specialized home furnishing and construction materials centers and shopping malls, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues.

Definitive service agreements will be entered into between the relevant members of the Group and the relevant members of the Shanghai Hong Yang Business Group for the provision of services under the New Shanghai Hong Yang Business Management Services Agreement. Each definitive agreement will set out the relevant services to be provided by the relevant members of the Group to the relevant members of the Shanghai Hong Yang Business Group and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the New Shanghai Hong Yang Business Management Services Agreement.

LETTER FROM THE BOARD

Pricing policy: The service fees to be charged under the New Shanghai Hong Yang Business Management Services Agreement shall be determined after arm's length negotiations with reference to (i) the anticipated operational costs (including labor costs); and (ii) the prevailing market price for similar services taking into account the size and location of the commercial properties to be managed by the Group, and shall be no more favorable than those offered to independent third parties.

The transactions contemplated under the New Shanghai Hong Yang Business Management Services Agreement shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms: The service fees of the last quarter shall be paid to the Group before 15th of each quarter.

Reasons for and Benefits of the Transaction

As a national integrated property service provider, the Group has many years of professional management services experience in commercial property management and has been highly evaluated by its customers. As one of the Group's related parties, the provision of professional management services to Shanghai Hong Yang Business can consolidate the Group's strengths in commercial property management as well as generate profits, and hence the Group decides to enter into the New Shanghai Hong Yang Business Management Services Agreement.

LETTER FROM THE BOARD

Historical transaction amounts

The table below sets forth the historical transaction amounts of transactions between the Group and the Shanghai Hong Yang Business Group under the Existing Redsun Materials City Management Services Agreement:

	<i>Actual amount incurred (in RMB'000)</i>		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the period from 1 January 2022 to 30 September 2022
The total service fees payable by the Shanghai Hong Yang Business Group to the Group	—	—	—

As far as the Directors are aware, it is expected that the actual amount payable for the year ended 31 December 2022 would not exceed the annual cap under the Existing Redsun Materials City Management Services Agreement.

Proposed annual caps and basis of determination for annual caps

The proposed annual caps for the transactions contemplated under the New Shanghai Hong Yang Business Management Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)
Expected maximum aggregate service fees payable to the Group by the Shanghai Hong Yang Business Group pursuant to the New Shanghai Hong Yang Business Management Services Agreement	18,436	19,249	19,932

The annual caps under the New Shanghai Hong Yang Business Management Services Agreement are determined with reference to the following factors:

- (i) the historical transaction amounts in respect of the management services provided by the Group to the Shanghai Hong Yang Business Group during the term of the Existing Redsun Materials City Management Services Agreement;

LETTER FROM THE BOARD

- (ii) the service fees based on existing contract entered into between the Group and the Shanghai Hong Yang Business Group;
- (iii) the expected increase in the number of commercial properties held or operated by the Shanghai Hong Yang Business Group for which the Group has been or will be engaged to provide property management services; and
- (iv) taking into account of the development stage of each of the commercial properties, inflation rate and expected operational costs increase in relation to the operation of each of the commercial properties for the three years ending 31 December 2025.

5. New Redsun Business World Management Services Agreement

The principal terms of the New Redsun Business World Management Services Agreement are set out below:

- Date: 8 December 2022 (after trading hours)
- Parties: (a) the Company (as services provider)
(b) Redsun Business World (as services recipient)
- Term: from 1 January 2023 to 31 December 2023, subject to renewal by mutual agreement of the parties thereto and compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
- Scope of services: Members of the Group shall provide the Redsun Business World with management and related services to Nanjing Redsun Business World Mall (南京紅太陽商業大世界), a commercial complex for specialized home furnishing and construction materials, including but not limited to cleaning, gardening, maintenance of public order and security services to the aforesaid venues.

LETTER FROM THE BOARD

Definitive service agreements will be entered into between the relevant members of the Group and the relevant members of the Redsun Business World for the provision of services under the New Redsun Business World Management Services Agreement. Each definitive agreement will set out the relevant services to be provided by the relevant members of the Group to the relevant members of the Redsun Business World and the service fees. The definitive service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the New Redsun Business World Management Services Agreement.

Pricing policy:

The service fees to be charged under the New Redsun Business World Management Services Agreement shall be determined after arm's length negotiations with reference to (i) the anticipated operational costs (including labor costs); and (ii) the prevailing market price for similar services of similar properties, and shall be no more favorable than those offered to independent third parties.

The transactions contemplated under the New Redsun Business World Management Services Agreement shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms:

The service fees of the last quarter shall be paid to the Group before 15th of each quarter.

Reasons for and Benefits of the Transaction

The Group has been providing professional management and related services to Redsun Business World for many years and the Group's services have been highly evaluated by Redsun Business World. Due to the long-term good cooperation relationship between the two parties and the fact that the Existing Redsun Business World Management Services Agreement entered into between the Group and Redsun Business World in 2020 will expire on 31 December 2022, the Group decides to enter into the New Redsun Business World Management Services Agreement. This will enable the Group to continue to provide

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professional management and related services to Redsun Business World, which will further create value for the Group and enhance its brand awareness and influence.

Historical transaction amounts

The table below sets forth the historical transaction amounts of transactions under the Existing Redsun Business World Management Services Agreement:

	Actual amount incurred (in RMB'000)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the period from 1 January 2022 to 30 September 2022
The total service fees payable by the Redsun Business World to the Group	4,402	5,498	2,251

As far as the Directors are aware, it is expected that the actual amount payable for the year ended 31 December 2022 would not exceed the annual cap under the Existing Redsun Business World Management Services Agreement.

Proposed annual caps and basis of determination for annual caps

The proposed annual caps for the transactions contemplated under the New Redsun Business World Management Services Agreement for the year ending 31 December 2023 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB'000)
Expected maximum aggregate service fees payable to the Group by the Redsun Business World pursuant to the New Redsun Business World Management Services Agreement	948

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The annual cap under the New Redsun Business World Management Services Agreement are determined with reference to the following factors:

- (i) the historical transaction amounts in respect of the management services provided by the Group to the Redsun Business Worlds during the term of the Existing Redsun Business World Management Services Agreement;
- (ii) the service fees based on existing contract entered into between the Group and Redsun Business World;
- (iii) taking into account of the development stage of each of the commercial properties, inflation rate and expected operational costs increase in relation to the operation of each of the commercial properties for the year ending 31 December 2023.

II. INTERNAL CONTROL

The Group has implemented the following internal control measures for monitoring the pricing and other terms of the continuing connected transactions, including the transactions contemplated under the New Continuing Connected Transactions and for ensuring that the transactions conducted under such agreements will be entered into based on normal commercial terms:

- (1) Before entering into the continuing connected transactions of the Group, the procurement department of the Group will review and verify whether the price is fair and reasonable. In addition, if the pricing terms in respect of the relevant agreement are applied for the first time or the pricing terms are different from those applied previously, the cost management department of the Group also reviews the above works conducted by the procurement department when settling the agreements.
- (2) The financial management department of the Group is mainly responsible for reviewing and monitoring the continuing connected transactions to ensure that the annual caps of the relevant continuing connected transactions would not be exceeded and are implemented pursuant to the pricing policy or mechanism under the respective framework agreements. The financial management department of the Group will consult the internal control units of the Group, external lawyers and compliance adviser regarding compliance issues of the continuing connected transactions.
- (3) The financial management department of the Group will prepare an annual report to the supervisor of the financial management department of the Group. The supervisor of the financial management department will report to the audit committee of the Group and submit a confirmation letter to the audit committee, confirming the continuing connected transactions of the Group (which are subject to the annual review and disclosure requirements under the Listing Rules) are all (a) entered into in the ordinary and usual course of business of the Group; (b)

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entered into on normal commercial terms or better; and (c) pursuant to the relevant agreements governing such transactions, entered into on the basis that the terms are fair and reasonable and are in the interests of the Shareholders as a whole; and the internal monitoring procedures of the Group regarding continuing connected transactions are adequate and effective in ensuring such transactions are conducted in such manner stated above. The audit committee will consider on such basis.

The Board is of the view that the above internal control measures can ensure that the continuing connected transactions of the Group under the New Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

III. INFORMATION ON THE RELEVANT PARTIES

The Group

The Group is a well-recognized comprehensive community service provider in Jiangsu Province, the PRC. It is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

Redsun Properties

Redsun Properties is a leading comprehensive property developer established in the Yangtze River Delta region and operating in the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties.

As stated in the announcement of Redsun Properties dated 11 August 2022, based on the preliminary review of the latest available unaudited consolidated management accounts of the Redsun Properties Group for the six months ended 30 June 2022 (the “**Period**”), the Redsun Properties Group expected to record net loss during the Period in the range of approximately RMB350 million to RMB450 million. The expected net loss during the Period was mainly attributable to (i) the declined overall market size of the real estate industry and relatively low gross profit of the projects closed by Redsun Properties for settlement; (ii) the continued COVID-19 situation which has caused the selling prices of the development projects of the Redsun Properties Group to fall short of expectation; and (iii) the significant exchange loss incurred in respect of the USD-denominated debts of the Redsun Properties Group due to the depreciation of RMB against USD.

In light of the above, the Board has conducted additional due diligence including but not limited to reviewing current operational, management and financial arrangement and status of the existing transaction status with Redsun Properties and taken into consideration that although the profit warning of Redsun Properties is a forecast of the company’s financial statement, according to the interim report of Redsun Properties for the six months ended 30 June 2022, the cash and bank balances

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of Redsun Properties were about RMB9.5 billion and Redsun Properties held approximately RMB7.789 billion completed properties for sale and approximately RMB41.210 billion properties under development, which indicates that Redsun Properties Group is able to maintain normal operation and also as disclosed in the monthly operating figures of Redsun Properties, the properties of its projects are still being sold normally. Thus, the Board is of the view that Redsun Properties will be able to settle the service fees as the relevant service fees only account for a relatively small proportion of sale proceeds of Redsun Properties Group.

Redsun Materials City

Redsun Materials City is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Hong Yang Group Company and is ultimately held as to 100% by Mr. Zeng. It is principally engaged in leasing of commercial properties.

Jiangsu Hong Yang Commercial

Jiangsu Hong Yang Commercial is a company established under the laws of the PRC with limited liability and is ultimately held as to 100% by Mr. Zeng. It is principally engaged in commercial properties leasing.

Shanghai Hong Yang Business

Shanghai Hong Yang Business is a company established under the laws of the PRC with limited liability and is ultimately held as to 100% by Mr. Zeng. It is principally engaged in commercial properties leasing.

Redsun Business World

Redsun Business World is a company established under the laws of the PRC with limited liability and is owned as to 100% by Ms. Zeng Suqing (曾素清), the sister of Mr. Zeng. It is principally engaged in leasing of commercial properties.

Account receivables of the parties

Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World have generally been able to honour their respective payment obligations in accordance with the terms of their relevant individual agreements previously. However, since 2022, there were delays in settlement of the account receivables which, as the Group understands, was primarily due to the adverse impact of a number of factors including the macroeconomic environment, the current real estate industry environment and the continuing COVID-19 pandemic.

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The aggregate amount of account receivables owed by Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World as at 30 September 2022 was approximately RMB233.8 million. The table below sets out the receivable aging breakdown of Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World as at 30 September 2022:

	Within 1 year (RMB'000)	1 to 2 years (RMB'000)	Aggregate amount of account receivables as at 30 September 2022 (RMB'000)
Commercial property services	88,889	30,555	119,444
Pre-management and related services	72,821	41,536	114,357
Total	161,710	72,091	233,801

The Group has engaged in continuous communication with the respective parties to follow up and accelerate the collection process and has taken various means to recover the account receivables and currently does not expect to encounter any material recoverability issue for the account receivables over one year from Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World in view of the following:

- (i) The Company has performed additional due diligence work in connection with Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World and strengthened its internal control as disclosed in the paragraph headed “INTERNAL CONTROL” set out in the section headed “LETTER FROM THE BOARD” of this circular.
- (ii) The Company has taken various measures to recover account receivables with relatively longer aging, including: (a) check the arrears balance of each project at the end of each month, and closely track the progress of the reimbursement and payment process of each of the projects; (b) actively communicate with Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World to agree on a feasible repayment plan and solution (such as reviewing the sales receivables, capital revitalization, utilizing project tax rebates to pay the Group’s arrears first); (c) instituting legal proceedings against Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World, where necessary, to recover the

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outstanding sums. Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World have always indicated that they are willing to cooperate with the Group to repay the receivables and explore different repayment methods. The Group has initially explored to recover the arrears through direct offset and indirect offset methods. Under the condition that the overall risk is controllable, it is expected that part of the arrears will be recovered through this manner in 2023.

- (iii) The Company has established a mature business and cooperation relationship with Redsun Properties and the associates of Mr. Zeng. In particular, before 2022, Redsun Properties has had a good record of repayment of account receivables. The Company has paid close attention to and engaged in communication with the parties to recover the outstanding amount, and believes that there will be no major recoverability issues.
- (iv) New policies for the real estate industry were promulgated in the PRC in November 2022 to facilitate the stable and healthy development of the real estate market, easing the financing regulations on property developers and individual property purchasers. It is expected that the proposed policies may help to foster the recovery of the real estate industry in the PRC over time and the payment status of Redsun Properties and the associates of Mr. Zeng is expected to improve accordingly. In any event, the Company will duly consider the payment status of each of the parties before entering into new individual agreements with them.

IV. DIRECTORS' CONFIRMATION

The Directors (excluding the independent non-executive Directors who will form their view after taking into account recommendations of the independent financial adviser) are of the view that the terms of each of the New Continuing Connected Transactions were determined through arm's length negotiations amongst the parties thereto, are based on normal commercial terms, and that the entering into of the New Continuing Connected Transactions is in the ordinary and usual course of business of the Group, and together with the proposed annual caps under each of the New Continuing Connected Transactions, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Since Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World are associates of Mr. Zeng, Ms. Zeng Zixi, the daughter of Mr. Zeng and an executive Director, and Mr. Zeng Junkai, the son of Mr. Zeng and a non-executive Director, were deemed to have material interests in, and has abstained from voting on, the resolutions passed by the Board to approve (i) the New Parking Space Sales and Leasing Agency Services Framework Agreement; (ii) the New Property Management Services Master Framework Agreement; (iii) the New Redsun Materials City Management Services Agreement; (iv) the New Jiangsu Hong Yang Commercial Management Services Agreement; (v) the New Shanghai Hong Yang Business Management Services Agreement; and (vi) the New Redsun Business World

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Management Services Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in, or was required to abstain from voting on the resolutions passed by the Board to approve each of the New Continuing Connected Transactions and their respective proposed annual caps.

V. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Mr. Zeng is the controlling Shareholder. Redsun Properties is indirectly held as to 71.88% by Mr. Zeng while Redsun Materials City, Jiangsu Hong Yang Commercial and Shanghai Hong Yang Business are indirectly wholly-owned as to 100% by Mr. Zeng and Redsun Business World is owned as to 100% by Ms. Zeng Suqing (曾素清), the sister of Mr. Zeng. Accordingly, each of Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World is therefore an associate of Mr. Zeng and in turn a connected person of the Company. The entering into of the New Continuing Connected Transactions constitute connected transactions of the Company.

The New Property Management Services Master Framework Agreement

Since one or more of the applicable percentage ratios in respect of the proposed annual caps in respect of the Property Management Services under the New Property Management Services Master Framework Agreement for the three years ending 31 December 2025 exceed 5%, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement

As the New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement were entered into by the Group with the associates of Mr. Zeng, namely Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World, in relation to the provision of management services to commercial properties, the transactions thereunder shall be aggregated pursuant to the requirements under Rule 14A.81 of the Listing Rules.

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The aggregated annual caps under the New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement for each of the three years ending 31 December 2025 are as follows:

	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)
Aggregated annual caps	102,410	105,952	109,189

Since one or more of the applicable percentage ratios in respect of the proposed aggregated annual caps in respect of the management and related services under the New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement exceed 5% on an annual basis, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In order to ensure the compliance of the requirements of Chapter 14A of the Listing Rules, during the period from 1 January 2022 to the date when the independent Shareholders' approval is obtained, the amount payable by the parties pursuant to the Non-exempt Continuing Connected Transactions is expected to fall below the de minimis threshold as stipulated under Rule 14A.76(2) of the Listing Rules, therefore such transactions will be exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for continuing connected transactions and such information will be disclosed in the poll results announcement to be published for the EGM.

VI. INDEPENDENT SHAREHOLDERS' APPROVAL

In view of the above, the Company will seek the approval of the independent Shareholders in relation to the transactions contemplated under the Non-exempt Continuing Connected Transactions. Ordinary resolutions will be proposed at the EGM to approve by way of poll the Non-exempt Continuing Connected Transactions and their respective annual caps.

As at the Latest Practicable Date, Redsun Services Group (Holdings) Limited is a controlling Shareholder, directly holding approximately 72.77% of the entire issued share capital of the Company. Redsun Services Group (Holdings) Limited is wholly owned by Hong Yang Group Company Limited, which in turn is wholly owned by Hong Yang International Limited, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) Limited (a company wholly owned by Mr. Zeng) and Mr. Zeng Huansha, respectively. Accordingly, Redsun Services Group (Holdings) Limited and its associates will

LETTER FROM THE BOARD

be required to abstain from voting on the ordinary resolutions to be proposed at the EGM in respect of the Non-exempt Continuing Connected Transactions and their respective annual caps.

The Company has established the Independent Board Committee to consider whether the Non-exempt Continuing Connected Transactions are entered into on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company has appointed Altus Capital Limited as the independent financial adviser to advise the Independent Board Committee and independent Shareholders. The Company will convene a general meeting in due course.

VII. CLOSURE OF REGISTER OF MEMBERS

To attend and vote at the EGM

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, 24 February 2023 to Wednesday, 1 March 2023, both days inclusive. In order to be eligible to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with Computershare at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 February 2023.

VIII. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 69 to 71 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 72 of the Articles of Association, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. 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.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rsunservice.hk). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare, the branch share registrar of the Company in Hong Kong, 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 or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so desire.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder is required to abstain from voting at the EGM.

2. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the resolution set out in the notice of EGM for Shareholders' consideration and approval is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 37 to 38 of this circular and the letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and Independent Shareholders in connection with the Non-exempt Continuing Connected Transactions and the respective annual caps and the principal factors and reasons considered by them in arriving such recommendations set out on pages 39 to 64 of this circular.

Yours faithfully,
For and on behalf of the Board
Redsun Services Group Limited
Zeng Junkai
Chairman



Redsun Services Group Limited

弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

The Independent Board Committee:

Ms. Wang Fen

Mr. Li Xiaohang

Mr. Zhao Xianbo

10 February 2023

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 10 February 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Non-exempt Continuing Connected Transactions and the respective annual caps are fair and reasonable so far as the Independent Shareholders are concerned, whether such transactions are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM.

Having taken into account the recommendations from Altus Capital Limited, the Independent Financial Adviser, and in particular the principal factors set out in the letter from the Independent Financial Adviser, we consider that the terms of the Non-exempt Continuing Connected Transactions and the respective annual caps are fair and reasonable so far as the Independent Shareholders are concerned, such transactions are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the best interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions and the respective annual caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The letter from the Independent Financial Adviser containing its recommendations to us and the Independent Shareholders, and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at such recommendations is set out on pages 39 to 64 of the Circular.

Yours faithfully,
The Independent Board Committee of
Redsun Services Group Limited

Ms. Wang Fen
*Independent non-executive
Director*

Mr. Li Xiaohang
*Independent non-executive
Director*

Mr. Zhao Xianbo
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Altus Capital, the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the Non-exempt Continuing Connected Transactions for the purpose of inclusion in the Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

10 February 2023

To the Independent Board Committee and the independent Shareholders

Redsun Services Group Limited
Room 2612, 26/F
China Merchants Tower
Shun Tak Centre
Sheung Wan
Hong Kong

Dear Sir and Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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 Non-exempt Continuing Connected Transactions, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 10 February 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As disclosed in the Prospectus, the Company has entered into (i) Existing Parking Space Sales and Leasing Agency Services Framework Agreement; (ii) the Existing Property Management Services Master Framework Agreement; (iii) the Existing Redsun Materials City Management Services Agreement and (iv) the Existing Redsun Business World Management Services Agreement, for (a) a term from 11 March 2020 to 31 December 2022 for (i) and (ii), and (b) a term from 7 July 2020 to 31 December 2022 for (iii) and (iv).

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It is expected that the Group will from time to time continue to enter into transactions of a nature similar to the Existing Continuing Connected Transactions after the expiry of the agreements to which the Existing Continuing Connected Transactions relate. Accordingly, on 8 December 2022 (after trading hours), the Company entered into the (i) the New Property Management Services Master Framework Agreement; (ii) the New Redsun Materials City Management Services Agreement; (iii) the New Jiangsu Hong Yang Commercial Management Services Agreement; (iv) the New Shanghai Hong Yang Business Management Services Agreement; and (v) the New Redsun Business World Management Services Agreement (collectively, the “**Non-exempt CCT Agreements**”), with a term from 1 January 2023 to 31 December 2025.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Zeng is the controlling Shareholder. Redsun Properties is indirectly held as to 71.88% by Mr. Zeng while Redsun Materials City, Jiangsu Hong Yang Commercial and Shanghai Hong Yang Business are indirectly wholly-owned as to 100% by Mr. Zeng and Redsun Business World is owned as to 100% by Ms. Zeng Suqing (曾素清), the sister of Mr. Zeng. Accordingly, each of Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World is therefore an associate of Mr. Zeng and in turn a connected person of the Company. The entering into of the relevant agreements for the Non-exempt Continuing Connected Transactions constitute connected transactions of the Company.

Since one or more of the applicable percentage ratios in respect of the proposed annual caps in respect of the Property Management Services under the New Property Management Services Master Framework Agreement for the three years ending 31 December 2025 exceed 5%, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement were entered into by the Group with the associates of Mr. Zeng, namely Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World, in relation to the provision of management services to commercial properties, the transactions thereunder shall be aggregated pursuant to the requirements under Rule 14A.81 of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the proposed aggregated annual caps in respect of the management and related services under the New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement exceed 5% on an annual basis, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement, circular and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Wang Fen, Mr. Li Xiaohang and Mr. Zhao Xianbo, has been established to advise the independent Shareholders as to (i) whether the terms of the Non-exempt Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable; (ii) whether the Non-exempt Continuing Connected Transactions are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in respect of the relevant resolutions to be proposed at the EGM approving the Non-exempt Continuing Connected Transactions (including the proposed annual caps) (the “**Resolutions**”), taking into account the recommendations of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the independent Shareholders as to (i) whether the terms of the Non-exempt Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable; (ii) whether the Non-exempt Continuing Connected Transactions are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in respect of the relevant Resolutions.

We have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Non-exempt Continuing Connected Transactions is at market level and not conditional upon successful passing of the Resolutions, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Non-exempt CCT Agreements; and (ii) other information set out in the Circular.

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We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. 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 in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations we relied on in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors:

1. Background information

1.1. Information of the Group

The Group is a comprehensive community service provider in Jiangsu Province, the PRC. It is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

1.2. Information of the counterparties of the Non-exempt Continuing Connected Transactions

Redsun Properties is a property developer established in the Yangtze River Delta region and operating in the PRC, focusing on the development of residential properties and the development, operation and management of commercial and comprehensive properties.

Redsun Materials City is an indirect wholly-owned subsidiary of Hong Yang Group Company and is ultimately held as to 100% by Mr. Zeng. It is principally engaged in leasing of commercial properties.

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Jiangsu Hong Yang Commercial is ultimately held as to 100% by Mr. Zeng. It is principally engaged in commercial properties leasing.

Shanghai Hong Yang Business is ultimately held as to 100% by Mr. Zeng. It is principally engaged in commercial properties leasing.

Redsun Business World is owned as to 100% by Ms. Zeng Suqing, the sister of Mr. Zeng. It is principally engaged in leasing of commercial properties.

1.3. Financial information and recent development of Redsun Properties

Set out below extract of financial position of Redsun Properties as at 30 June 2022, being the latest publicly available financial position, with comparison figures as at 31 December 2021.

	As at 30 June 2022	As at 31 December 2021
	<i>RMB '000</i>	<i>RMB '000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Non-current assets	29,646,048	30,583,933
— Investment properties	14,201,330	14,114,116
— Investments in associates	10,862,390	11,739,053
Current assets	90,228,880	102,164,901
— Properties under development	41,210,951	49,232,765
— Completed properties held for sale	7,789,017	6,099,195
— Due from related companies	15,497,627	13,678,744
— Cash and bank balances	9,502,390	16,039,258
Current liabilities	71,254,704	74,216,683
— Contract liabilities	28,109,842	33,192,419
— Interest-bearing bank and other borrowings	8,555,146	6,865,131
— Senior notes	4,877,055	4,521,504
— Due to related companies	11,887,545	10,342,353
Non-current liabilities	18,132,846	26,786,296
— Interest-bearing bank and other borrowings	9,026,106	14,879,782
— Senior notes	5,148,610	7,868,698
Net assets	30,487,378	31,745,855

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The net assets position of Redsun Properties decreased to approximately RMB30.5 billion as at 30 June 2022 as compared to approximately RMB31.7 billion as at 31 December 2021. The cash and bank balances decreased from approximately RMB16.0 billion as at 31 December 2021 to approximately RMB9.5 billion as at 30 June 2022.

Set out below certain ratios according to the “Three Red Lines” assessment of Redsun Properties, which is generally adopted by the regulators for property development companies in China.

	As at 30 June 2022	As at 31 December 2021	Regulatory requirement
Gearing ratio (excluding contract liabilities)	66.8%	68.1%	< 70%
Net gearing ratio	59.4%	57.0%	< 100%
Cash to short-term debt ratio	0.7 times	1.41 times	> 1 time

The cash to short-term debt ratio as at 30 June 2022 is not within the regulatory requirement. If such situation continues, the ability to obtain external financing of Redsun Properties may be affected.

According to the announcement of Redsun Properties dated 11 August 2022, as at the date of such announcement, the most recent due interest payment on the 2025 Notes (as defined in such announcement) has not been made and it is not expected that it will be made by the expiry of the grace period on 12 August 2022, which may result in demand by the holders for immediate redemption, which may further result in cross default and acceleration of Redsun Properties’ other indebtedness including the USD Notes (as defined in such announcement). According to the interim report of Redsun Properties published on 27 September 2022, none of such events has occurred as at the publication date of such interim report. Redsun Properties has engaged financial advisor and legal advisor to communicate with its offshore creditors to explore all feasible options to pursue a holistic solution to the situation. Since 27 September 2022 and up to the Latest Practicable Date, there is no further public announcement issued by Redsun Properties on this matter.

2. Reasons for and benefits of the Non-exempt Continuing Connected Transactions

The services to be provided under the Non-exempt CCT Agreements are property management services to residential properties and commercial properties, which are within the scope of the of the Group’s principal activities as described in the section headed “1.1. Information of the Group” above. Accordingly, we are of the view that the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group.

The purpose of the Non-exempt CCT Agreements is to continue to govern the terms of the future cooperation between the Group and (a) Redsun Properties; and (b) associates of Mr. Zeng. The entering into of the Non-exempt CCT Agreements will allow the Group to continue to provide property management services to the properties under its management and, if necessary, compete with other service providers when the relevant client invites quotations for property management services going forward.

Taking into account that (i) the Non-exempt CCT Agreements are entered into to govern the general terms of the future cooperation between the Group and (a) Redsun Properties; and (b) associates of Mr. Zeng; (ii) such agreements outline the principal terms (including the pricing policies) of the transactions; (iii) the Non-exempt Continuing Connected Transactions are expected to be of a recurrent nature and in the ordinary and usual course of business for the Group; and (iv) the Non-exempt CCT Agreements allows the Group to continue to provide property management services to the properties under its management and, if necessary, compete with other service providers in the ordinary and usual course of business of the Group, we consider that the entering into of the Non-exempt CCT Agreements is in the interests of the Company and the Shareholders as a whole.

3. Principal Terms of the Non-exempt CCT Agreements

3.1. Term and scope of services

3.1.1. Term

The term of each of the Non-exempt CCT Agreements is from 1 January 2023 to 31 December 2025.

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3.1.2. Scope of services

Set out below is a summary of the scope of services of each of the Non-exempt CCT Agreements.

Name of Non-exempt CCT Agreement	Abbreviation of the agreement(s)	Nature of properties under management	Scope of services
New Property Management Services Master Framework Agreement	N/A	(i) Residential properties	Pre-delivery property management and related services, display units and property sales venues management services, pre-delivery property management services for unsold properties and housing repair management services to residential properties (collectively, “ Property Management Services for Residential Properties ”)
		(ii) Commercial properties	Property management services to commercial properties
New Redsun Materials City Management Services Agreement	Collectively referred as “ Commercial Property CCT Agreements ”	Commercial properties	Property management services to commercial properties
New Jiangsu Hong Yang Commercial Management Services Agreement		Commercial properties	
New Shanghai Hong Yang Business Management Services Agreement		Commercial properties	
New Redsun Business World Management Services Agreement		Commercial properties	

The scope of services under the New Property Management Services Master Framework Agreement include (a) pre-delivery property management and related services; (b) display units and property sales venues management services; (c) pre-delivery property management services for unsold properties; (d) commercial properties management services; and (e) housing repair management services to Redsun Properties and its associates (the “**Redsun Properties Group**”).

The scope of services is similar for each of (i) New Redsun Materials City Management Services Agreement; (ii) New Jiangsu Hong Yang Commercial Management Services Agreement; (iii) New Shanghai Hong Yang Business Management Services Agreement; and (iv) New Redsun Business World Management Services Agreement (collectively, “**Commercial Property CCT Agreements**”). The Group shall provide management and related services including cleaning, gardening, maintenance of public order and security services to specialised home furnishing and construction materials centres, shopping malls, commercial complex.

For details of the scope of services under the Non-exempt CCT Agreements, please refer to the section headed “I. Non-exempt Continuing Connected Transactions” in the “Letter from the Board” of the Circular.

3.2. Pricing policy

3.2.1. Description of pricing policy

The pricing policy of the New Property Management Services Master Framework Agreement is set out below.

- (i) The relevant members of the Group shall, where they are selected following the relevant tender processes and other quotation procedures for selection of services providers, provide management and related services to the Redsun Properties Group according to the tender and quotation documents and definitive management services agreements to be entered into between relevant members of the Group and the Redsun Properties Group from time to time;
- (ii) The management fees payable by the Redsun Properties Group shall be determined based on arm’s length negotiation between the Redsun Properties Group and members of the Group, with reference to factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighborhood profile of the relevant properties; (ii) prevailing market price charged by other independent third party services providers to the Redsun Properties Group in respect of comparable services; and (iii) any applicable rates recommended by the relevant government authorities; and
- (iii) The transactions contemplated under the New Property Management Services Master Framework Agreement shall be on normal commercial terms, on terms no more favourable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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The pricing policy for each of the four Commercial Property CCT Agreements is the same, as set out below.

- (i) The service fees to be charged shall be determined after arm's length negotiations with reference to (i) the anticipated operational costs (including labor costs); and (ii) the prevailing market price for similar services taking into account the size and location of the commercial properties to be managed by the Group, and shall be no more favorable than those offered to independent third parties; and
- (ii) The transactions contemplated under each of the Commercial Property CCT Agreements shall be on normal commercial terms, on terms no more favorable than those offered to independent third party services providers in respect of comparable services and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The above pricing policy sets out the basis of determination of the price of property management services to be provided, which is in principal on terms no more favourable than those offered to independent third party. As such, such pricing policy is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.2.2. Assessing whether the pricing policy has been adhered to

Having said that there are five Non-exempt CCT Agreements regarding the provision of property management services, we noted that the property management services provided are mainly differentiated based on the nature of the property under management, being (i) residential properties; or (ii) commercial properties. The pricing policy of all Non-exempt CCT Agreements is in principal on terms no more favourable than those offered to independent third party. The transactions contemplated under all Non-exempt CCT Agreements are subject to the same set of internal control measures. As such, we have structured our review the fairness of the historical transactions to cover (i) Property Management Services for Residential Properties; and (ii) property management services to commercial properties.

Property Management Services for Residential Properties

Under the New Property Management Services Master Framework Agreement, there are five service categories, namely (i) pre-delivery property management and related services; (ii) Display units and property sales venues management services; (iii) pre-delivery property management services for unsold properties; (iv) commercial property management services; and (v) housing repair management services.

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The service fees charged for pre-delivery property management and related services are generally paid by stages based on achievement of milestones including the signing of the service contract and the delivery of properties and are determined based on size of the residential property with reference to the price guideline of the Group from time to time. Based on our review of all four prospectus of property management companies listed on the Stock Exchange in 2022 which disclosed the fee rate for similar services, we noted that the service fees charged by the Group for pre-delivery property management and related services are at market level. Based on the above and as supplemented by our review on sample transactions between the Group and (i) Redsun Properties; and (ii) independent third party below, we are of the view that the service fees charged for pre-delivery property management and related services are fair and reasonable. Details of the service fees charged by the Group's market peers are set out below.

Name of the company	Stock code	Date of prospectus	Fee rate (RMB per sq.m.)
Redco Healthy Living Company Limited	2370	22 March 2022	6.2–14.5
Dowell Service Group Co. Limited	2352	19 April 2022	2–7
Lushang Life Services Co., Ltd.	2376	27 June 2022	6
Onewo Inc.	2602	19 September 2022	4
		Maximum	14.5
		Minimum	2
The Company	1971		6

The service fees charged for display units and property sales venues management services are generally charged monthly and are determined based on “cost-plus” basis with reference to nature, geographical location and neighbourhood profile of the relevant property, and prevailing market price. Based on our review on 20 sample transactions below, the service fees charged by the Group to Redsun Properties are comparable to the fees charged to independent third parties. We are of the view that the services fees charged for display units and property sales venues management services are fair and reasonable.

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The service fees charged for pre-delivery property management services for unsold properties are generally paid annually and are determined with reference to (i) rates published by relevant government authorities; or (ii) if no applicable rates published by government authorities, prevailing market price. For each residential property project, the fees charged for property management services are applicable to all owners irrespective of whether the owner is connected person or independent third party. If certain units are not sold and delivered to buyers, the property management fees attributable to these units are charged by the Group to Redsun Properties at the same price charged by the independent third party owners of other units. Therefore, we are of the view that the services fees charged for pre-delivery property management services for unsold properties are fair and reasonable.

The service fees charged for commercial properties management services are analysed under the paragraph headed “Property management services for commercial properties” in this letter below.

In addition, we have assessed the fairness and reasonableness of the pricing mechanism by obtaining and reviewing 20 sets of sample transactions offered to Redsun Properties and independent third parties covering each of the (a) pre-delivery property management and related services; (b) display units and property sales venues management services; (c) pre-delivery property management services for unsold properties during the period from 1 January 2020 to 30 September 2022 (the “**Review Period**”). Considering that (i) the sample transactions were selected on a random basis which covered each of all existing services for residential properties under the Existing Property Management Services Master Framework Agreement; and (ii) such sample transactions are selected during the Review Period as contemplated under the Existing Property Management Services Master Framework Agreement, we believe they are fair and representative samples. As the housing repair service is a new scope of services under the New Property Management Services Master Framework Agreement, it has no historical transaction. For the work performed by the IFA regarding the proposed annual caps relating to the housing repair management service, please refer to the paragraph headed “4.2.1. New Property Management Services Master Framework Agreement” in this letter below.

According to the samples collected, we noted that (i) the pricing policy adopted is in line with the Group’s pricing policy as set out under the above paragraphs under this sub-section; (ii) the payment terms are consistent with the Management’s representation as stated in the section headed “3.2.2. Assessing whether the pricing policy has been adhered to” in this letter above (i.e., the service fees charged for pre-delivery property management and related services are generally paid by stages based on achievement of milestones including the signing of the service

contract and the delivery of properties; the service fees charged for display units and property sales venues management services are generally charged monthly; and the service fees charged for pre-delivery property management services for unsold properties are generally paid annually); (iii) the service fees and payment terms of the Property Management Services for Residential Properties provided to Redsun Properties are comparable with those offered to independent third parties; and/or (iv) the service fees are in line with the rates published by government authorities (if available). As such we are of the view that the pricing policy applicable to Property Management Services for Residential Properties under the New Property Management Services Master Framework Agreement has been adhered to.

Property management services for commercial properties

In assessing whether the pricing policy of the property management services for commercial properties under (i) the New Property Management Services Master Framework Agreement; and (ii) the Commercial Property CCT Agreements has been adhered to, we have discussed with the Management and understand that the services fee are generally determined on a “cost-plus” basis and with reference to (i) the operational costs (including labour costs); and (ii) the prevailing market price for similar services. The Management confirmed that the pricing mechanism is applicable to all customers, regardless of whether the customers are connected persons of the Company or independent third parties.

As the property management fees are charged quarterly, we have obtained walk-through documents (including signed contracts, supporting documents for operational costs, and summary of property management fees) of the quarterly historical property management fees of five commercial properties in three different quarters in from 1 January 2020 to 30 September 2022 (the “**Review Period**”). As (i) the sample walk-through documents were randomly selected from the full list of transactions covering the period from 1 January 2020 to 30 September 2022; and (ii) the sample walk-through documents represented at least over 10% of the aggregate transaction amount of property management services for commercial properties, we believe they are fair and representative samples.

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We noted that (i) the pricing mechanism of all samples are consistently based on “cost-plus” principle, which is stipulated in the relevant contracts; (ii) the operational costs are derived from the management accounts of the Group’s subsidiary provided the services; and (iii) the property management fees are charged on a quarterly basis. As confirmed by the Management, the Group did not provide property management services for commercial properties to clients who were independent third parties during the Review Period. There is no independent third party transaction for comparison.

In order to assess the reasonableness of the fees charged by the Group to its connected persons, we have further compared to the Group’s profit margin of provision of property management services to those of its industry peers (a total of 35 companies). We have identified a list of industry peers based on the following criteria: (i) companies that are listed on the Main Board of the Stock Exchange; (ii) companies which principal business included the provision of property management services; and (iii) companies that have disclosed segment margin on provision of property management services, which excludes those property management services with operational management, tenant sourcing and brand marketing services embedded. We believe it is an exhaustive list based on our criteria.

Set out below the gross profit margin of provision of property management services of the Group’s industry peers in 2020 and 2021.

Company name	Stock code	Gross profit margin of provision of property management services	
		2020 (%)	2021 (%)
Jinmao Property Services Co., Limited	816	17.8	18.2
Shimao Services Holdings Limited	873	27.2	27.6
Jiayuan Services Holdings Limited	1153	29.8	30.4
Financial Street Property Co., Limited	1502	21.8	21.0
Sunac Services Holdings Limited	1516	21.6	25.7
S-Enjoy Service Group Co., Limited	1755	31.3	30.1
Xinyuan Property Management Service (Cayman) Ltd.	1895	28.8	23.4
Yincheng Life Service Co., Ltd.	1922	10.6	10.0
Landsea Green Life Service Company Limited	1965	17.6	14.2
CIFI Ever Sunshine Services Group Limited	1995	25.4	23.1
First Services Holding Limited	2107	27.0	23.8
Roiserv Lifestyle Services Co., Ltd.	2146	27.5	31.3
Ling Yue Services Group Limited	2165	32.6	27.2
Kaisa Property Holdings Limited	2168	26.6	25.4
Kangqiao Service Group Limited	2205	17.4	15.9
Ronshine Service Holding Co., Ltd	2207	23.2	23.3

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Company name	Stock code	Gross profit margin of provision of property management services	
		2020 (%)	2021 (%)
Beijing Capital Jiaye Property Services Co., Limited	2210	20.3	21.7
Dexin Services Group Limited	2215	26.3	26.4
Desun Real Estate Investment Services Group Co., Ltd.	2270	39.4	29.0
Redco Healthy Living Company Limited	2370	28.3	24.8
China Overseas Property Holdings Limited	2669	16.1	14.9
Greentown Service Group Co. Ltd.	2869	12.8	12.5
Binjiang Services Group Co. Ltd.	3316	18.8	19.2
A-Living Smart City Services Co., Ltd.	3319	21.8	20.1
New Hope Service Holdings Limited	3658	31.2	30.1
Poly Property Services Co., Ltd.	6049	14.2	14.3
Hevol Services Group Co. Limited	6093	29.6	28.9
Country Garden Services Holdings Company Limited	6098	34.6	30.3
Yuexiu Services Group Limited	6626	25.4 <i>(Note)</i>	27.1 <i>(Note)</i>
Zhenro Services Group Limited	6958	23.2	24.3
Excellence Commercial Property & Facilities Management Group Limited	6989	24.1	22.9
Sundy Service Group Co. Ltd	9608	21.0	28.1
Jinke Smart Services Group Co, Ltd.	9666	26.3	24.3
Times Neighborhood Holdings Limited	9928	28.2	26.7
Central China New Life Limited	9983	17.4	18.5
	Maximum	39.4	31.3
	Average	24.1	23.3
	Minimum	10.6	10.0
The Company	1971	25.5	25.6

Note: Arithmetic mean of the gross profit margin of property management services for non-commercial property and commercial property.

As shown in the table above, with reference to the abovementioned pricing policy of the Group, the gross profit margin of the property management services segment of the Group being approximately 25.5% in 2020 and approximately 25.6% in 2021, was within the range of approximately 10.0% to 39.4% and slightly higher than average of its industry peers of approximately 24.1% in 2020 and approximately 23.3% in 2021 respectively. As such, we are of the view that the pricing

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policy of property management services, which is in principal on terms no more favourable than those offered to independent third party, has been adhered to.

3.3. Section conclusion

Based on the analysis set out under this section, we are of the view that the terms of the transactions contemplated under the Non-Exempt CCT Agreements are on normal commercial terms, are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

4. Historical transaction amounts and proposed annual caps

4.1. Existing annual caps and historical variances

For the three years ending 31 December 2025, there are two newly added framework agreements to govern the terms of the continuing connected transactions in relation to provision of property management services, being the New Jiangsu Hong Yang Commercial Management Services Agreement and the New Shanghai Hong Yang Business Management Services Agreement. As advised by the Management, the commercial properties requiring services under these two newly added agreements are covered under the Existing Redsun Materials City Management Services Agreement from 7 July 2020 to 31 December 2022. The entering into of the two newly added framework agreements is to clearly delineate each continuing connected transactions according to the property project requiring service.

Set out below is a summary of existing and proposed annual caps, and historical transaction amounts of all Non-exempt Continuing Connected Transactions.

<i>(RMB'000)</i>		For the year ended		For the nine	For the year ending				
		31 December		months ended	31 December				
		2020	2021	30 September	2023 2024 2025				
					2022				
Existing Property Management Services Master Framework Agreement	Existing/ proposed annual caps	226,933	284,171	325,973	Proposed annual caps for New Property Management Services Master Framework Agreement	232,919	214,734	183,323	
	Historical transaction amount	205,670	241,985	142,284					
	Utilisation rate	91%	85%	58%					
					<i>(Note)</i>				
Existing Redsun Business World Management Services Agreement	Existing/ proposed annual caps	12,341	13,235	14,270	Proposed annual caps for New Redsun Business World Management Services Agreement	948	N/A	N/A	
	Historical transaction amount	4,402	5,498	2,251					
	Utilisation rate	36%	42%	21%					
					<i>(Note)</i>				

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<i>(RMB'000)</i>		For the year ended		For the nine		For the year ending		
		31 December		months ended		31 December		
		2020	2021	30 September	2022	2023	2024	2025
Existing Redsun Materials City Management Services Agreement	Existing/ proposed annual caps	125,855	143,111	155,160	Sum of proposed annual caps for (i), (ii) and (iii) below	101,462	105,952	109,189
	Historical transaction amount	118,887	110,702	94,368	— (i) New Redsun Materials City Management Services Agreement	53,548	56,188	57,783
	Utilisation rate	94%	77%	81% <i>(Note)</i>	— (ii) New Jiangsu Hong Yang Commercial Management Services Agreement	29,478	30,515	31,474
					— (iii) New Shanghai Hong Yang Business Management Services Agreement	18,436	19,249	19,932

Note: Annualised percentage based on the transaction amount for the nine months ended 30 September 2022.

It is noted that the utilisation rates of the historical annual caps for the transactions contemplated under the Existing Property Management Services Master Framework Agreement has been decreasing from approximately 91% in 2020 to approximately 85% in 2021 and continued to fall to approximately 58% on annualised basis by reference to the actual amount recorded for the nine months ended 30 September 2022. As advised by the Management, the decreasing utilisation rates of the historical annual caps for the transactions contemplated under the Existing Property Management Services Master Framework Agreement was mainly due to (i) change in macro environment including government policies relating to the property development industry; and (ii) measures taken by the government to control the spread of COVID-19 pandemic in the PRC, which negatively affected the performance of property developers and, in turn, the opportunities for providing property management services.

It is also noted that the utilisation rates of the historical annual caps for the transactions contemplated under the Existing Redsun Business World Management Services Agreement were relatively low, being approximately 36% in 2020, approximately 42% in 2021 and approximately 21% on annualised basis by reference to the actual amount recorded for the nine months ended 30 September 2022. As further advised by the Management, the relatively low utilisation rate for the historical annual caps for the transactions contemplated under the Existing Redsun Business World Management Services Agreement was the result of the implementation of a corporate restructuring exercise, when two commercial properties were originally requiring the Group's services under the Existing Redsun Business World Management Services Agreement; whilst after the completion of the corporate restructuring exercise in 2020, only one commercial property was held by Redsun Business World that required the Group's services. Accordingly, the transaction amount was lowered.

It is further noted that the utilisation rates of the historical annual caps for the transactions contemplated under the Existing Redsun Materials City Management Services Master Framework Agreement were approximately 94% in 2020, approximately 77% in 2021 and approximately 81% on annualised basis by reference to the actual amount recorded for the nine months ended 30 September 2022. The utilisation rates were relatively steady in 2021 and 2022 during the Covid-19 pandemic period.

4.2. Proposed annual caps

4.2.1. New Property Management Services Master Framework Agreement

According to the "Letter from the Board", set out below the factors considered by the Company to determine the annual caps of the New Property Management Services Master Framework Agreement and our work done:

- (i) the additional scope of management services which may be required by Redsun Properties and its associates from the Group, including housing repair management services;

We noted that the Management has included the expected transaction amount for providing housing repair management services (a new type of value added service to be provided by the Group from 2023) in the proposed annual caps, which was determined based on the duration of housing repair obligation committed by Redsun Properties, expected service fee rate, the expected delivery time and the GFA of properties developed by Redsun Properties and its associates. We have reviewed the calculation provided by the Management and compared the expected delivery time and the GFA of properties provided by Redsun Properties and its associates. We noted that the aforesaid information are consistent with the data used in the calculation of proposed annual caps for the three years ending 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also reviewed a summary of housing repair management service fee rates of independent third party service providers provided by the Group and noted that the expected service fee rate is within the range of those offered by independent third party service providers.

- (ii) the total GFA of properties developed by Redsun Properties and its associates under the management of the Group and the properties under development held by Redsun Properties and its associates to be managed by the Group based on existing service contracts as at 31 December 2022;

We have obtained the existing GFA of properties developed by Redsun Properties and its associates under the management of the Group and the properties under development held by Redsun Properties and its associates to be managed by the Group. We have reviewed the calculation provided by the Management and compared the total GFA of properties developed by Redsun Properties and its associates under the management of the Group and the properties under development held by Redsun Properties and its associates to be managed by the Group. We noted that the aforesaid information are consistent with the data used in the calculation of proposed annual caps for the three years ending 31 December 2025.

- (iii) the land bank held by Redsun Properties and its associates as at 31 December 2022 and its projected changes for the next three years based on publicly available information;

We have reviewed Redsun Properties' interim report for the six months ended 30 June 2022 and annual report for the year ended 31 December 2021 and noted that its land bank decreased from an aggregate GFA of approximately 18,782,301 sq.m. as at 31 December 2021 to 16,794,966 sq.m. as at 30 June 2022, representing a decrease of approximately 10.6%. In view of (i) the decreasing land bank; and (ii) the expected delivery time and the GFA of properties developed by Redsun Properties and its associates as mentioned above, we noted a decreasing trend which is consistent to the data used in the proposed annual caps for the three years ending 31 December 2025.

- (iv) the estimated service fee to be charged by the Group in respect of pre-delivery property management and related services, display units and property sales venues management services and pre-delivery property management services for unsold properties based on historical amount and existing contracts;

Due to the nature of the pre-delivery property management and related services, display units and property sales venue management services and pre-delivery property management services for unsold properties, the Group generally will only provide such services before the delivery of the residential properties to the buyers. As such, the service fee to be charged in respect of such services are largely depended on the delivery date of residential properties. We have reviewed the calculation provided by the Management and noted that (i) the historical monthly transaction amounts; (ii) the duration of the existing contracts; and (iii) the expected delivery dates of the time of properties developed by Redsun Properties and its associates are used to estimate the expected transaction amounts for the three years ending 31 December 2025. We have selected and reviewed ten largest contracts in terms of expected revenue contribution amount of each of the years ending 31 December 2025 and noted that the service fee rates and duration of each the contracts are consistent with the data used in the calculation of proposed annual caps.

- (v) the expected unoccupied rate for property units and car parking spaces under the management of the Group based on historical amount; and

We have reviewed a schedule of the expected unoccupied rate for residential development projects of Redsun Properties. According to the Management, the unoccupied rate is the estimation provided by Redsun Properties and its associates based on prevailing market conditions.

- (vi) the historical transaction amounts in respect of the Property Management Services between Redsun Properties and its associates and the Group;

We have reviewed the calculation provided by the Management and noted that the historical monthly transaction amounts were used as the base to estimate the expected transaction amounts in the future.

- (vii) the expected number of contracts in respect of the commercial properties held by Redsun Properties and its associates for which the Group had been or was expected to be engaged to provide property management services as at 31 December 2022.

The Management advised that Redsun Properties may engage the Group to manage one additional commercial properties during the three years ending 31 December 2025. The proposed annual caps for the three years ending 31 December 2025 have catered for the additional number of contracts and assuming that the existing contracts will be extended. We have discussed with the Management and noted that the expected delivery time of the two commercial properties of Redsun Properties, which may engage the Group for property management services, were provided by the owners of the properties. We also noted that the Group has been providing property management services to Redsun Properties and its associates for over 20 years since the establishment of the Company's principal subsidiary. In addition, Mr. Zeng is the controlling shareholder of both the Group and Redsun Properties. Accordingly, we concur with the Management's expectation to assume the existing contracts will be extended.

4.2.2. New Redsun Business World Management Services Agreement, New Redsun Materials City Management Services Agreement, New Jiangsu Hong Yang Commercial Management Services Agreement and New Shanghai Hong Yang Business Management Services Agreement

According to the "Letter from the Board", set out below the factors considered by the Company to determine the annual caps of the Commercial Property CCT Agreements:

- (i) the service fees based on existing contract;

We noted that the service fees used to estimate future transaction amounts are determined based on the pricing mechanism based on existing contracts. We have obtained and review one existing contract of each Commercial Property CCT Agreement and noted the pricing mechanisms used in the calculation of annual caps provided by the Group are consistent with those stated under the contracts.

- (ii) the expected increase in the number of commercial properties held or operated by the respective connected persons of the Company for which the Group has been or will be engaged to provide property management services; and

The Management expects the number of commercial properties held or operated by the respective connected persons of the Company for which the Group has been or will be engaged to provide property management services will remain stable during the three years ending 31 December 2025. Based on the long-term cooperation relationship between the Group and the owner or operator of the commercial properties, we concur with the Management's expectation to continue to secure contract to serve the existing commercial properties under management.

- (iii) taking into account of the development stage of each of the commercial properties, inflation rate and expected operational costs increase in relation to the operation of each of the commercial properties for the three years ending 31 December 2025.

We noted from the calculation that the Management has taken into account potential increase in cost due to inflation, which we believe is a reasonable and common factor for determining the future annual caps. We have reviewed the consumer price index of the PRC for the past twelve months¹ and noted that the inflation rate adopted by the Management is reasonable to cater for possible increase in operational costs.

- (iv) the historical transaction amounts as stated in the table under the paragraph headed "4.1. Existing annual caps and historical variances" in respect of the management services provided by the Group to the respective connected persons of the Company during the term of the respective existing framework agreements;

Taking into account the analysis set out under this section, we are of the view that the proposed annual caps with regard to the transactions contemplated under the Non-exempt CCT Agreements are fair and reasonable.

5. Internal control measures

As set out under the paragraph headed "Internal control" under the "Letter from the Board" in the Circular, there are certain internal control measures in place for monitoring the pricing and other terms of the continuing connected transactions, including the transactions contemplated under the Non-exempt CCT Agreements.

¹ http://www.stats.gov.cn/tjsj/zxfb/202212/t20221209_1890859.html

We have reviewed the letter issued by the auditor of the Company on the continuing connected transactions for the years ended 31 December 2020 and 2021 respectively. We noted that the auditor has not noticed that any of the continuing connected transactions as disclosed by the Group in its annual reports for the years ended 31 December 2020 and 2021 (a) have not been approved by the Board; (b) for the connected transactions involving provision of goods or services by the Group have not been entered into in accordance with the pricing policies of the Group, in all material aspects; (c) have not been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and (d) have exceeded the relevant caps.

We noted the independent non-executive Directors have reviewed the continuing connected transactions of the Company and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests in the shareholders as a whole.

Taking into account the above, we are of the view the internal control measures for monitoring the continuing connected transactions are adequate.

6. Recent development

Account receivables of the Redsun Properties and associates of Mr. Zeng

We noted from the Management that there were delays in settlement of account receivables from Redsun Properties and associates of Mr. Zeng since 2022. According to our discussion with the Management, such delays were primarily due to the adverse impact of a number of factors including the macroeconomic environment, the current real estate industry environment and the continuing COVID-19 pandemic. The aggregate amount of account receivables owed by Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World as at 30 September 2022 were approximately RMB233.8 million (the “**Aggregated Account Receivables**”). Details of the account receivables as at 30 September 2022 was set out under the paragraph headed “Account receivables of the parties” in the “Letter from the Board”.

According to the announcement of Redsun Properties dated 11 August 2022, the expected net loss during the six months ended 30 June 2022 was mainly attributable to, among others, (i) the declined overall market size of the real estate industry and relatively low gross profit of the projects closed by Redsun Properties for settlement; and (ii) the continued COVID-19 situation which has caused (a) the selling prices of the development projects of the Redsun Properties Group to fall short of expectation; and (b) decrease in occupancy rate and rental income of investment properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the data published by the National Bureau of Statistics of China, in 2022, the sales area and sales amount of residential properties decreased by 26.8% and 28.3% respectively as compared to 2021. Facing the same macro environment as Redsun Properties, the Group's independent third party customers have also delayed the payment to the Group. We have obtained and reviewed supporting documents such as the letter of reminder of outstanding payments, invoices issued by the Group and the relevant payment records and noted that the delays in settlement had occurred in the Group's transactions with independent third party customers as well.

We noted from the Management that it does not expect to encounter any material recoverability issue for the account receivables over one year from Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World, which represented approximately 30.8% of the Aggregated Account Receivables, in view of the following:

- (i) The Company has performed additional due diligence work in connection with Redsun Properties, Redsun Materials City, Jiangsu Hong Yang Commercial, Shanghai Hong Yang Business and Redsun Business World including reviewing current operational, management and financial arrangement and status of the existing transaction and strengthened its internal control as disclosed in the paragraph headed "II. Internal control" under the "Letter from the Board".
- (ii) The Company has taken various measures to recover account receivables with relatively longer aging, including (a) checking month end balance and progress of payment of each project; (b) actively communicating with the counterparty to agree on a feasible repayment plan and solution; (c) instituting legal proceedings, where necessary. The Group has initially explored to recover the arrears through direct offset and indirect offset methods.
- (iii) The Company has established a mature business and cooperation relationship with Redsun Properties and the associates of Mr. Zeng. In particular, before 2022, Redsun Properties has had a good record of repayment of account receivables.
- (iv) New policies for the real estate industry were promulgated in the PRC in November 2022 to facilitate the stable and healthy development of the real estate market, easing the financing regulations on property developers and individual property purchasers. It is expected that the proposed policies may help to foster the recovery of the real estate industry in the PRC over time and the payment status of Redsun Properties and the associates of Mr. Zeng is expected to improve accordingly. In any event, the Company will duly consider the payment status of each of the parties before entering into new individual agreements with them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered:

- (i) the above Management's view;
- (ii) Redsun Properties' (a) cash and cash equivalents after deducting pledged deposits and restricted cash of approximately RMB6.6 billion; (b) properties under development of approximately RMB41.2 billion; and (c) completed properties held for sale of approximately RMB7.8 billion as at 30 June 2022 as disclosed in its interim report for the six months ended 30 June 2022, which are significantly larger than the Aggregated Account Receivables;
- (iii) the value of Mr. Zeng's 71.88% shareholding interests in Redsun Properties. For illustration purpose, based on the closing price of the shares of Redsun Properties as at the Latest Practicable Date, the value of the shares of Redsun Properties held by Mr. Zeng was approximately HK\$1.1 billion, which are significantly larger than the Aggregated Account Receivables;
- (iv) that, as confirmed by the Management, the Group has been constantly receiving payment from Redsun Properties and the associates of Mr. Zeng; and
- (v) that the provision of services to the property developers such as Redsun Properties in early stage of property development project in the form of pre-delivery property management and related services, display units and property sales venues management services and pre-delivery property management services for unsold properties will help the Group secure the contract of property management services after the delivery of the properties by the property developers to the owners of the properties. By that time, the Group will collect management fees from individual property owners who bought the property units. The GFA under management by the Group will also increase, thereby enabling the Group to expand its market share in property management services industry in the PRC,

we hold the view that, (i) under industry-wide slowdown in the real estate industry, granting extension of payment terms is a practical approach; and (ii) given the medium to long term benefits, it is in the interests of the Company and the Shareholders to enter into Non-exempt Continuing Connected Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Non-exempt Continuing Connected Transactions (including the proposed annual caps) are fair and reasonable; (ii) the Non-exempt Continuing Connected Transactions are on normal commercial terms or better, in 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, as well as the Independent Board Committee to advise the independent Shareholders, to vote in favour of the Resolutions to approve the Non-exempt Continuing Connected Transactions (including the proposed annual caps) at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, include particulars given in compliance with the Listing Rules of the Hong Kong Stock Exchange 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 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.

II. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Director	Name of associated corporation	Nature of interest	Number of underlying Shares subject to the pre-IPO share options	Approximate percentage of shareholding
Zeng Junkai (<i>Note 1</i>)	Redsun Properties	Beneficial owner	18,900,500	0.57%

Note:

- (1) As at the Latest Practicable Date, Mr. Zeng Junkai was interested in 18,900,500 underlying shares in respect of share options granted by Redsun Properties pursuant to the pre-IPO share option scheme of Redsun Properties.

Saved as disclosed above, as of the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

III. DISCLOSURE OF SHAREHOLDINGS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES UNDER THE SFO OF HONG KONG

So far as is known to the Company, as of the Latest Practicable Date, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name	Capacity	Number of Shares	Percentage of shareholding
Redsun Services Group (Holdings) Limited (“Redsun Services Group (Holdings)”) (Note 1)	Beneficial owner	301,994,000	72.77%
Hong Yang Group Company (Note 1)	Interest in controlled corporation	301,994,000	72.77%
Hong Yang International Limited (“Hong Yang International”) (Note 1)	Interest in controlled corporation	301,994,000	72.77%
Hong Yang Group (Holdings) Limited (“Hong Yang Group (Holdings)”) (Note 1)	Interest in controlled corporation	301,994,000	72.77%
Mr. Zeng (Note 1)	Interest in controlled corporation	301,994,000	72.77%
Ms. Chen Sihong (Note 2)	Interest of spouse	301,994,000	72.77%

Note:

- (1) Redsun Services Group (Holdings) is wholly owned by Hong Yang Group Company, which in turn is wholly owned by Hong Yang International, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) (a company wholly owned by Mr. Zeng) and Mr. Zeng, respectively. Accordingly, each of Hong Yang Group Company, Hong Yang International, Hong Yang Group (Holdings) and Mr. Zeng is deemed to be interested in the Shares held by Redsun Services Group (Holdings) by virtue of the SFO.
- (2) Ms. Chen Sihong is the spouse of Mr. Zeng Huansha and is therefore deemed to be interested in the Shares in which Mr. Zeng Huansha is interested by virtue of the SFO.

Save as disclosed above, as of the Latest Practicable Date, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

IV. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

V. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group in which a more than one year's notice or payment of compensation (other than statutory compensation) shall be given by the latter when termination.

VI. DIRECTORS' INTEREST IN ASSET OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any asset which had been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; and (ii) any subsisting material interest in any contract or arrangement as at the Latest Practicable Date which is significant in relation to the business of the Group.

VII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading positions of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

VIII. EXPERT'S QUALIFICATIONS AND CONSENTS

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Altus Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

IX. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.rsunservice.hk) from the date of this circular up to and including the date of the EGM:

1. Existing Parking Space Sales and Leasing Agency Services Framework Agreement;
2. Existing Property Management Services Master Framework Agreement;
3. Existing Redsun Business World Management Services Agreement;
4. Existing Redsun Materials City Management Services Agreement;
5. New Jiangsu Hong Yang Commercial Management Services Agreement;
6. New Parking Space Sales and Leasing Agency Services Framework Agreement;
7. New Property Management Services Master Framework Agreement;
8. New Redsun Business World Management Services Agreement;
9. New Redsun Materials City Management Services Agreement;
10. New Shanghai Hong Yang Business Management Services Agreement;
11. the Letter from the Board, the text of which is set out on pages 7 to 36 of this circular;
12. the Letter from the Independent Board Committee, the text of which is set out on pages 37 to 38 of this circular;
13. the Letter from the Independent Financial Adviser, the text of which is set out on pages 39 to 64 of this circular;
14. the consent letter from the Independent Financial Adviser; and
15. this circular.

X. GENERAL

Save as otherwise stated in this circular, the English text of this circular shall prevail over the Chinese text in the event of inconsistency.



Redsun Services Group Limited

弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Redsun Services Group Limited (the “**Company**”) will be held at Room 2612, 26/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong on Wednesday, 1 March 2023 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. The New Property Management Services Master Framework Agreement and the transactions contemplated thereunder and the respective annual caps be and are hereby approved, confirmed and ratified and any one director or the company secretary of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Property Management Services Master Framework Agreement and the transactions and matters contemplated thereunder; and
2. The New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement and the transactions contemplated thereunder and the respective annual caps be and are hereby approved, confirmed and ratified and any one director or the company secretary of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Redsun Materials City Management Services Agreement, the New Jiangsu Hong Yang Commercial Management Services Agreement, the New Shanghai Hong Yang Business Management Services Agreement and the New Redsun Business World Management Services Agreement and the transactions and matters contemplated thereunder.

By Order of the Board
Redsun Services Group Limited
Zeng Junkai
Chairman

Hong Kong, 10 February 2023

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. 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 and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. Where there are joint holders of any share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
5. The resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rsunservice.hk) in accordance with the Listing Rules.
6. **Closure of Register of Members**

The register of members of the Company will be closed from Friday, 24 February 2023 to Wednesday, 1 March 2023, both days inclusive for determining the eligibility to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with Computershare at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 February 2023.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

As of the date of this notice, Mr. Zeng Junkai is the non-executive Director; Ms. Zeng Zixi is the executive Director; and Ms. Wang Fen, Mr. Li Xiaohang and Mr. Zhao Xianbo are the independent non-executive Directors.