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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 Properties 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 Properties Group Limited

弘陽地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1996)

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
THE NEW FRAMEWORK PURCHASE AGREEMENTS;
(2) MAJOR AND CONTINUING CONNECTED TRANSACTION –
NEW ASSET LEASING AGREEMENT;
AND
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

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



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 5 to 20 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, 29 May 2024 at 10:00 a.m. is set out on pages 57 to 58 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.rsunproperty.hk).

Whether or not you intend to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Link Market Services (Hong Kong) Pty Limited, the branch share registrar of the Company in Hong Kong, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, 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.

29 April 2024

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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 22 December 2023 in relation to, among other things, the New Framework Purchase Agreements and the New Asset Leasing Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Redsun Properties 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: 1996)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Family Suppliers”	collectively, Nanjing Baohong, Nanjing Guangde, Nanjing Houning and Nanjing Randong
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) 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, 29 May 2024 at 10:00 a.m., or any adjournment thereof
“Existing Chen Baoshan Framework Purchase Agreement”	the existing framework purchase agreement dated 9 November 2020 entered into between the Company and Nanjing Baohong in relation to the provision of raw materials (including building stones, sanitary wares and bricks) and/or the related supplementary installation services by Nanjing Baohong to the Group
“Existing Framework Purchase Agreements”	collectively, the Existing Zeng Suqing Framework Purchase Agreement, the Existing Zeng Huandong Framework Purchase Agreement and the Existing Chen Baoshan Framework Purchase Agreement

DEFINITIONS

“Existing Leasing Agreement”	the supplemental leasing agreement dated 9 November 2020 entered into between Hong Yang Land and Nanjing Haohan (formerly known as Nanjing Hong Yang Home Furnishing Co., Ltd (南京弘陽家居有限公司)) in relation to the revision of the rent for the property with the aggregate lettable floor area of 158,750.61 square meters in Area A Nanjing Hong Yang Plaza, No. 48 Daqiao North Road, Pukou District, Nanjing, the PRC
“Existing Zeng Huandong Framework Purchase Agreement”	the existing framework purchase agreement dated 9 November 2020 entered into among the Company, Nanjing Houning and Nanjing Randong in relation to the provision of raw materials and construction services by Nanjing Houning and Nanjing Randong to the Group
“Existing Zeng Suqing Framework Purchase Agreement”	the existing framework purchase agreement dated 9 November 2020 entered into between the Company and Nanjing Guangde in relation to the provision of construction services by Nanjing Guangde to the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Yang Land”	Hong Yang Land Company Limited (弘陽置地(集團)有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung) established for the purpose of reviewing the New Framework Purchase Agreements and the New Asset Leasing Agreement
“Independent Financial Adviser”	Merdeka Corporate Finance Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the New Framework Purchase Agreements and the New Asset Leasing Agreement
“Independent Third Party(ies)”	a person or persons, or entity or entities who/which is/are not a connected person(s) of the Company under the Listing Rules

DEFINITIONS

“Latest Practicable Date”	24 April 2024, 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
“Mr. Zeng”	Mr. Zeng Huansha, an executive Director and a controlling Shareholder
“Nanjing Baohong”	Nanjing Baohong Construction Co., Ltd (南京寶弘建材有限公司), a company established under the laws of the PRC with limited liability and is wholly-owned by Mr. Chen Baoshan, a nephew of Mr. Zeng
“Nanjing Guangde”	Nanjing Guangde Construction Co., Ltd. (南京廣德建築工程有限公司), a company established under the laws of the PRC with limited liability and is owned as to 99% by Ms. Zeng Suqing, a sister of Mr. Zeng
“Nanjing Haohan”	Nanjing Haohan Commercial Management Co., Ltd (南京昊瀚商業管理有限公司) (formerly known as Nanjing Hong Yang Home Furnishing Co., Ltd (南京弘陽家居有限公司)), a company established in the PRC with limited liability and is indirectly wholly-owned by Mr. Zeng
“Nanjing Houning”	Nanjing Houning Construction Materials Co., Ltd. (南京厚寧建築材料有限公司), a company established under the laws of the PRC with limited liability and is owned as to 90% by Ms. Zeng Jiahui, a niece of Mr. Zeng
“Nanjing Randong”	Nanjing Randong Trading Co., Ltd. (南京冉東貿易有限公司), a company established under the laws of the PRC with limited liability and is owned as to 90% by Mr. Zeng Huandong, a brother of Mr. Zeng
“New Asset Leasing Agreement”	the new asset leasing agreement dated 22 December 2023 entered into between Hong Yang Land and Nanjing Haohan (formerly known as Nanjing Hong Yang Home Furnishing Co., Ltd (南京弘陽家居有限公司)) in relation to the rental of the Premise
“New Chen Baoshan Framework Purchase Agreement”	the new framework purchase agreement dated 22 December 2023 entered into between the Company and Nanjing Baohong in relation to the provision of raw materials (including building stones, sanitary wares and bricks) and/or the related supplementary installation services by Nanjing Baohong to the Group

DEFINITIONS

“New Framework Purchase Agreements”	collectively, the New Zeng Suqing Framework Purchase Agreement, the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement
“New Zeng Huandong Framework Purchase Agreement”	the new framework purchase agreement dated 22 December 2023 entered into among the Company, Nanjing Houning and Nanjing Randong in relation to the provision of raw materials and construction services by Nanjing Houning and Nanjing Randong to the Group
“New Zeng Suqing Framework Purchase Agreement”	the new framework purchase agreement dated 22 December 2023 entered into between the Company and Nanjing Guangde in relation to the provision of construction services by Nanjing Guangde to the Group
“PRC”	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Premise”	the aggregate lettable floor area of 136,707 square meters in Halls A1, A2 and A4 Nanjing Hong Yang Plaza and areas within the red line around Halls A1-A4, Hong Yang Plaza, No. 48 Daqiao North Road, Pukou District, Nanjing, the PRC
“Proposed Annual Cap(s)”	the proposed annual caps for each of the three years ending 31 December 2026
“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
“Shareholder(s)”	shareholders 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

LETTER FROM THE BOARD



Redsun Properties Group Limited

弘陽地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1996)

Executive Directors:

Mr. ZENG Huansha
Mr. ZENG Junkai
Mr. LUI Wai Pang

Independent Non-executive Directors:

Mr. LEE Kwok Tung Louis
Mr. LEUNG Yau Wan John
Mr. AU YEUNG Po Fung

Registered Office:

Walkers Corporate Limited
Cayman Corporate Centre
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

Head Offices in the PRC:

26th Floor
Hong Yang Building
No. 9 Daqiao North Road, Pukou District
Nanjing, Jiangsu Province

*Principal 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

29 April 2024

To the Shareholders

Dear Sir/Madam,

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
THE NEW FRAMEWORK PURCHASE AGREEMENTS;
(2) MAJOR AND CONTINUING CONNECTED TRANSACTION –
NEW ASSET LEASING AGREEMENT;
AND
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in relation to the New Framework Purchase Agreements and the New Asset Leasing Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the New Framework Purchase Agreements and the New Asset Leasing Agreement and the respective annual caps; (ii) a letter from the Independent Board Committee to the independent Shareholders in relation to the New Framework Purchase Agreements and the New Asset Leasing Agreement 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 New Framework Purchase Agreements and the New Asset Leasing Agreement and the respective annual caps; and (iv) the notice of the EGM.

2. BACKGROUND

Reference is made to the announcement of the Company dated 9 November 2020 in relation to, among other things, the Existing Framework Purchase Agreements and the Existing Leasing Agreement, which were expired on 31 December 2023.

A. THE NEW FRAMEWORK PURCHASE AGREEMENTS

The Company hereby announces that, on 22 December 2023, the Company entered into the New Framework Purchase Agreements to renew the Existing Framework Purchase Agreements.

The principal terms of the New Framework Purchase Agreements are set out below:

I. The New Zeng Suqing Framework Purchase Agreement

Date:	22 December 2023
Parties:	a) the Company (for itself and on behalf of its subsidiaries) (as services recipient); and b) Nanjing Guangde (as services provider).
Term:	from 1 January 2024 to 31 December 2026, subject to renewal by mutual agreement of the parties thereto.
Scope of Service:	Nanjing Guangde shall, where it shall be selected following the relevant selection process, provide construction services to the Group according to the definitive purchase agreements to be signed by the Group with Nanjing Guangde from time to time.
Payment Terms:	Payment shall be made according to each of the definitive purchase agreements to be signed by the Group with Nanjing Guangde from time to time.

For details of the basic principles for determining the payment terms, please refer to the sub-section headed “Payment Terms under the New Framework Purchase Agreements” in this circular below.

LETTER FROM THE BOARD

Pricing Policy: The terms of the services under the New Zeng Suqing Framework Purchase Agreement shall be on normal commercial terms, and fair and reasonable and shall not be less favorable to the Company as compared to those offered by Independent Third Party services providers for the same type of services.

For details of the tender process to ensure the prices and terms of the services offered by Nanjing Guangde are fair and reasonable and no less favorable than those offered by Independent Third Party services providers, please refer to the sub-section headed “Tender Process for Connected Family Suppliers” in this circular below.

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps for the New Zeng Suqing Framework Purchase Agreement:

	Year ended 31 December 2021		Year ended 31 December 2022		Year ended 31 December 2023		Year ending 31 December 2024	Year ending 31 December 2025	Year ending 31 December 2026
	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Proposed Annual Cap (RMB'000)	Proposed Annual Cap (RMB'000)	Proposed Annual Cap (RMB'000)
	80,000	20,616	80,000	19,290	80,000	15,921	20,000	16,000	16,000

In order to comply with the Listing Rules, there has been no transaction between the Company and Nanjing Guangde from 1 January 2024 to the Latest Practicable Date. The Proposed Annual Caps under the New Zeng Suqing Framework Purchase Agreement are determined with reference to, among other things, (i) historical transaction amounts under the Existing Zeng Suqing Framework Purchase Agreement for the provision of the construction services by Nanjing Guangde to the Group during the three years ended 31 December 2023; (ii) the Company’s estimation of the demand for the relevant construction services with reference to the Group’s development, for which the Group may need construction services from Nanjing Guangde; and (iii) the amount of estimated business based on the expected business development between Nanjing Guangde and the Group.

LETTER FROM THE BOARD

II. The New Zeng Huandong Framework Purchase Agreement

- Date: 22 December 2023
- Parties: a) the Company (for itself and on behalf of its subsidiaries) (as services recipient);
- b) Nanjing Houning (as services provider); and
- c) Nanjing Randong (as services provider).
- Term: from 1 January 2024 to 31 December 2026, subject to renewal by mutual agreement of the parties thereto.
- Scope of Service: Each of Nanjing Houning and Nanjing Randong shall, where it shall be selected following the relevant selection process, provide raw materials (including building stones, sanitary wares and bricks) and/or the related supplementary installation services to the Group according to the definitive purchase agreements to be signed by the Group with each of Nanjing Houning and Nanjing Randong from time to time.
- Payment Terms: Payment shall be made according to each of the definitive purchase agreements to be signed by the Group with each of Nanjing Houning and Nanjing Randong from time to time.
- For details of the basic principles for determining the payment terms, please refer to the sub-section headed “Payment Terms under the New Framework Purchase Agreements” in this circular below.
- Pricing Policy: The terms of the services under the New Zeng Huandong Framework Purchase Agreement shall be on normal commercial terms, and fair and reasonable and shall not be less favorable to the Company as compared to those offered by Independent Third Party services providers for the same type of services.
- For details of the tender process to ensure the prices and terms of the services offered by each of Nanjing Houning and Nanjing Randong are fair and reasonable and no less favorable than those offered by Independent Third Party services providers, please refer to the sub-section headed “Tender Process for Connected Family Suppliers” in this circular below.

LETTER FROM THE BOARD

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps for the New Zeng Huandong Framework Purchase Agreement:

	Year ended 31 December 2021		Year ended 31 December 2022		Year ended 31 December 2023		Year ending 31 December 2024	Year ending 31 December 2025	Year ending 31 December 2026
	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Proposed Annual Cap (RMB'000)	Proposed Annual Cap (RMB'000)	Proposed Annual Cap (RMB'000)
Nanjing Houning	30,000	-	30,000	-	30,000	-	7,500	6,000	6,000
Nanjing Randong	2,000	-	2,000	-	2,000	-	500	400	400
Total	32,000	-	32,000	-	32,000	-	8,000	6,400	6,400

There has been no historical transaction under the Existing Zeng Huandong Framework Purchase Agreement for the three years ended 31 December 2023 as Nanjing Houning and Nanjing Randong were unable to win the tender from the tender process. In order to comply with the Listing Rules, there has been no transaction between the Company, Nanjing Houning and Nanjing Randong from 1 January 2024 to the Latest Practicable Date. The Proposed Annual Caps under the New Zeng Huandong Framework Purchase Agreement are determined with reference to, among other things: (i) the Company's estimation of the demand for the relevant construction services with reference to the Group's development, for which the Group may need raw materials and supplementary installation services from Nanjing Houning and Nanjing Randong; and (ii) the amount of estimated additional business based on the expected business development among Nanjing Houning, Nanjing Randong and the Group.

III. The New Chen Baoshan Framework Purchase Agreement

Date:	22 December 2023
Parties:	a) the Company (for itself and on behalf of its subsidiaries) (as services recipient); and b) Nanjing Baohong (as services provider).
Term:	from 1 January 2024 to 31 December 2026, subject to renewal by mutual agreement of the parties thereto.

LETTER FROM THE BOARD

Scope of Service: Nanjing Baohong shall, where it shall be selected following the relevant selection process, provide raw materials (including building stones, sanitary wares and bricks) and/or the related supplementary installation services to the Group according to the definitive purchase agreements to be signed by the Group with Nanjing Baohong from time to time.

Payment Terms: Payment shall be made according to each of the definitive purchase agreements to be signed by the Group with Nanjing Baohong from time to time.

For details of the basic principles for determining the payment terms, please refer to the sub-section headed “Payment Terms under the New Framework Purchase Agreements” in this circular below.

Pricing Policy: The terms of the services under the New Chen Baoshan Framework Purchase Agreement shall be on normal commercial terms, and fair and reasonable and shall not be less favorable to the Company as compared to those offered by Independent Third Party services providers for the same type of services.

For details of the tender process to ensure the prices and terms of the services offered by Nanjing Baohong are fair and reasonable and no less favorable than those offered by Independent Third Party services providers, please refer to the sub-section headed “Tender Process for Connected Family Suppliers” in this circular below.

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps for the New Chen Baoshan Framework Purchase Agreement:

Year ended		Year ended		Year ended		Year	Year	Year
31 December 2021		31 December 2022		31 December 2023		ending	ending	ending
						31	31	31
						December	December	December
						2024	2025	2026
						Proposed	Proposed	Proposed
Annual cap	Actual	Annual cap	Actual	Annual cap	Actual	Annual	Annual	Annual
(RMB'000)	amount	(RMB'000)	amount	(RMB'000)	amount	Cap	Cap	Cap
	(RMB'000)		(RMB'000)		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
20,000	2,662	20,000	-	20,000	-	5,000	4,000	4,000

LETTER FROM THE BOARD

There has been no historical transaction under the Existing Chen Baoshan Framework Purchase Agreement for the two years ended 31 December 2023 as Nanjing Baohong was unable to win the tender from the tender process. In order to comply with the Listing Rules, there has been no transaction between the Company and Nanjing Baohong from 1 January 2024 to the Latest Practicable Date. The Proposed Annual Caps under the New Chen Baoshan Framework Purchase Agreement are determined with reference to, among other things, (i) the historical transaction amounts under the Existing Chen Baoshan Framework Purchase Agreement for the provision of the construction services by Nanjing Baohong to the Group during the three years ended 31 December 2023; (ii) the Company's estimation of the demand for the relevant construction services with reference to the Group's development, for which the Group may need raw materials and construction services from Nanjing Baohong; and (iii) the amount of estimated business based on the expected business development between Nanjing Baohong and the Group.

Payment Terms under the New Framework Purchase Agreements

Under the New Framework Purchase Agreements, Nanjing Guangde shall provide construction services to the Group and Nanjing Houning, Nanjing Randong and Nanjing Baohong shall provide raw materials (including building stones, sanitary wares and bricks) and/or the related supplementary installation services to the Group, if they shall be selected following the relevant selection process and the basic principle for determining the payment terms shall be as follows:

- a) For raw materials (including building stones, sanitary wares and bricks) provided, the basic principle for determining the payment terms should be that payment shall be made when the raw materials are delivered; and
- b) For construction services and related supplemental installation services provided, the basic principle for determining the payment terms should be that payment shall be made based on the actual status of the provision of such services according to each of the projects having different scale and timeline.

Accordingly, when definitive purchase agreements are entered into by the Group and the respective parties under the New Framework Purchase Agreements, the Company would determine and negotiate with the respective parties the corresponding payment terms based on the actual scale of the project for the provision of services and raw materials and make sure that the payment terms would be in line with the market practice in the industry.

Tender Process for Connected Family Suppliers

To ensure that the prices and terms of services offered by the Connected Family Suppliers are fair and reasonable and no less favorable to the Company than those offered by Independent Third Parties, the Company has formed an evaluation committee to oversee the selection of suppliers in the Group's purchases of raw materials and services.

LETTER FROM THE BOARD

The evaluation committee comprises three to five members, including the supervisor of the Company's cost management department, the supervisor of the Company's engineering management department, the supervisor of the Company's design management department and the supervisor of the Company's tender and procurement department.

The fee quotes submitted by the Connected Family Suppliers will be subject to the tender process set out below.

The Group has adopted an independent mechanism with the following features to govern and monitor the tender process and selection mechanism for the Group's potential bidders:

- depending on the actual situations (such as the amount and size of the transaction), before purchasing raw materials or services, the Company shall publish a tender announcement on the Company's public tender and procurement platform on its information network to invite unspecified potential bidders or issue tender invitation to potential bidders. A minimum of three potential suppliers shall participate in the bidding activities, at least two of whom should be Independent Third Parties;
- potential suppliers shall meet the requirements of pre-qualification before bidding. The Company's tender and procurement department will review information on potential suppliers regarding their enterprise qualifications, products certificates, projects performance and management team while the tender group will conduct an inspection of the companies, products and projects of potential suppliers, who will only be selected to participate in bidding upon passing the inspection;
- where the Connected Family Suppliers are selected to participate in bidding, the Company's design management department, engineering management department and cost management department will conduct a business and technical evaluation using a scoring system on all selected suppliers (including suppliers who are Independent Third Parties) who will each be assessed on areas including product prices, organization structure, product quality, quality control system, maintenance and after-sales services, ability to meet delivery deadlines, cost control and technical knowledge of relevant personnel; and
- the evaluation report will then be submitted to the evaluation committee for review. Suppliers must receive scores beyond certain minimum thresholds to be eligible for selection and the supplier(s) with the highest score(s) will be selected. As such, the Connected Family Suppliers will only be selected if they are considered to have competitive advantages in the provision of the relevant raw materials and services.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the New Framework Purchase Agreements

The Directors have been carefully monitoring the historical transaction amounts and estimated demand for the continuing connected transactions under the Existing Framework Purchase Agreements.

The Company believes that it is in the interest of the Company and the Shareholders as a whole to continue to carry out the purchasing businesses with the Connected Family Suppliers having considered the following factors: (i) each Connected Family Supplier has a well-established quality control system and research and development capability to meet the Group's requirements; (ii) the supply channel of each Connected Family Supplier allows it to meet the Group's demand in the context of the Group's continuous development; (iii) each Connected Family Supplier provides high quality after-sales and maintenance services to ensure quality of products provided to the Group; (iv) the Group has established a stable relationship with each Connected Family Supplier during the course of which the relevant Connected Family Supplier has provided the Group with a steady and reliable supply of high quality products and/or services in accordance with the Group's specifications; and (v) the prices and terms of services offered by the Connected Family Suppliers have been no less favorable than those offered by Independent Third Parties.

B. NEW ASSET LEASING AGREEMENT

The Company hereby announces that, on 22 December 2023, Hong Yang Land (as lessor) and Nanjing Haohan (as lessee) entered into the New Asset Leasing Agreement in relation to the Premise, to renew the Existing Leasing Agreement and determine the rent under the New Asset Leasing Agreement.

The principal terms of the New Asset Leasing Agreement are set out below:

Date:	22 December 2023
Parties:	a) Hong Yang Land (as lessor); and b) Nanjing Haohan (as lessee).
Term:	from 1 January 2024 to 31 December 2026, subject to renewal by mutual agreement of the parties thereto.
Premise:	the aggregate lettable floor area of 136,707 square meters in Halls A1, A2 and A4 Nanjing Hong Yang Plaza and areas within the red line around Halls A1-A4, Hong Yang Plaza, No. 48 Daqiao North Road, Pukou District, Nanjing, the PRC.

LETTER FROM THE BOARD

Payment Method of the Rent: Upon mutual negotiation between Hong Yang Land and Nanjing Haohan, Nanjing Haohan shall pay the rent to Hong Yang Land on a semi-annual basis, among which, the rent for the first half of each year shall be paid before 31 August of the current year to Hong Yang Land, and the rent for the second half of each year shall be paid before 30 April of the following year to Hong Yang Land, and such rents shall be paid to the designated bank account of Hong Yang Land.

Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps for the New Asset Leasing Agreement:

Year ended		Year ended		Year ended		Year ending	Year ending	Year ending
31 December 2021		31 December 2022		31 December 2023		31	31	31
Actual		Actual		Actual		December	December	December
Annual cap	amount	Annual cap	amount	Annual cap	amount	Proposed	Proposed	Proposed
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
262,033	260,385	275,140	275,140	288,894	123,013	159,060	159,060	159,060

Due to the huge floor area of the Premise covered under the New Asset Leasing Agreement to renew the Existing Leasing Agreement, transaction has begun between Hong Yang Land and Nanjing Haohan from 1 January 2024 to the Latest Practicable Date and the Company may not have fully complied with the Listing Rules. However, the non-compliance is totally unintentional, as additional time is required to finalize certain information to be included in the circular, and the Company is fully aware that the transaction contemplated under the New Asset Leasing Agreement is conditional on the independent Shareholders' approval at the EGM. The Company will strive to improve its internal training and planning for future continuing connected transactions to obtain the required independent Shareholders' approval earlier in compliance with the Listing Rules. The above Proposed Annual Caps have been determined based on the rental fees payable by Nanjing Haohan as agreed under the New Asset Leasing Agreement, which was determined by both parties on normal commercial terms and with reference to, among other things, the prevailing market rates of similar properties in the vicinity and the expected rate of inflation during the term of the lease.

Reasons for and benefits of entering into the New Asset Leasing Agreement

The Premise was previously already leased by the Group to Nanjing Haohan for its operation. In view of the past operational convenience and benefits brought to the Group and extended business relationships established between the Group and Nanjing Haohan, such continuing relationships are expected to bring synergies to the parties and improve customers' satisfaction.

LETTER FROM THE BOARD

C. INTERNAL CONTROL

The Company 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 Framework Purchase Agreements and the New Asset Leasing Agreement) 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 Company, 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 Company 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 Company 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 Company will prepare an annual report to the supervisor of the financial management department of the Company. The supervisor of the financial management department will report to the audit committee of the Company 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) 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 Framework Purchase Agreements and the New Asset Leasing Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

D. INFORMATION ON THE RELEVANT PARTIES

The Group

The Group 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.

Hong Yang Land

Hong Yang Land is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in real estate development.

Nanjing Guangde

Nanjing Guangde is a company established under the laws of the PRC with limited liability and is principally engaged in the provision of construction services. It is owned as to 99% by Ms. Zeng Suqing, a sister of Mr. Zeng, and 1% by Zeng Xiaoling.

Nanjing Houning

Nanjing Houning is a company established under the laws of the PRC with limited liability and is principally engaged in the sale of construction raw materials and provision of construction services. It is owned as to 90% by Ms. Zeng Jiahui, a niece of Mr. Zeng, and 10% by Chen Shengxin.

Nanjing Randong

Nanjing Randong is a company established under the laws of the PRC with limited liability and is principally engaged in the sale of construction raw materials and provision of construction services. It is owned as to 90% by Mr. Zeng Huandong, a brother of Mr. Zeng, and 10% by Wang Chunzhi.

Nanjing Baohong

Nanjing Baohong is a company established under the laws of the PRC with limited liability and is principally engaged in the sale of construction raw materials and provision of construction services. It is wholly-owned by Mr. Chen Baoshan, a nephew of Mr. Zeng.

Nanjing Haohan

Nanjing Haohan is a company established in the PRC with limited liability and is indirectly wholly-owned by Mr. Zeng. It is principally engaged in the sales of household goods and building materials.

LETTER FROM THE BOARD

E. DIRECTORS' CONFIRMATION

The Directors (excluding Mr. Zeng, Mr. Zeng Junkai (for the New Asset Leasing Agreement only) and 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 Framework Purchase Agreements and the New Asset Leasing Agreement 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 Framework Purchase Agreements and the New Asset Leasing Agreement is in the ordinary and usual course of business of the Group, and together with the Proposed Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since the Connected Family Suppliers and Nanjing Haohan are associates of Mr. Zeng and Nanjing Haohan is an associate of Mr. Zeng Junkai, Mr. Zeng and Mr. Zeng Junkai were deemed to have material interests in, and have abstained from voting on, the resolutions passed by the Board to approve the New Framework Purchase Agreements, the New Asset Leasing Agreement and the transactions contemplated thereunder, and the resolutions passed by the Board to approve the New Asset Leasing Agreement and the transactions contemplated thereunder, respectively. 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 the New Framework Purchase Agreements, the New Asset Leasing Agreement and the Proposed Annual Caps.

F. IMPLICATIONS UNDER THE LISTING RULES

The New Framework Purchase Agreements

As at the Latest Practicable Date, (i) Nanjing Guangde is owned as to 99% by Ms. Zeng Suqing, a sister of Mr. Zeng; (ii) Nanjing Houning is owned as to 90% by Ms. Zeng Jiahui, a niece of Mr. Zeng; (iii) Nanjing Randong is owned as to 90% by Mr. Zeng Huandong, a brother of Mr. Zeng; and (iv) Nanjing Baohong is wholly-owned by Mr. Chen Baoshan, a nephew of Mr. Zeng. Mr. Zeng is an executive Director and a controlling Shareholder. Therefore, each of Nanjing Guangde, Nanjing Houning, Nanjing Randong and Nanjing Baohong is an associate of Mr. Zeng and therefore a connected person of the Company, and the transactions contemplated under the New Framework Purchase Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Nanjing Guangde, Nanjing Houning, Nanjing Randong and Nanjing Baohong are all associates of Mr. Zeng, the Proposed Annual Caps for the transactions contemplated under each of the New Framework Purchase Agreements have been aggregated pursuant to Rule 14A.81 of the Listing Rules. The aggregated annual caps under the New Framework Purchase Agreements for the three years ending 31 December 2026, respectively, are as follows:

	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)	For the year ending 31 December 2026 (RMB'000)
Aggregated annual caps	<u>33,000</u>	<u>26,400</u>	<u>26,400</u>

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the aggregated annual caps for the transactions contemplated under the New Framework Purchase Agreements for each of the three years ending 31 December 2026 exceed 5%, the entering into of the New Framework Purchase Agreements and the transactions contemplated thereunder will be subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Asset Leasing Agreement

As at the Latest Practicable Date, Nanjing Haohan is wholly-owned by Mr. Zeng. Accordingly, Nanjing Haohan is the associate of Mr. Zeng and Mr. Zeng Junkai (as son of Mr. Zeng and an executive Director), and therefore a connected person of the Company under the Listing Rules, and the transactions contemplated under the New Asset Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps for the transactions contemplated under the New Asset Leasing Agreement for each of the three years ending 31 December 2026 exceed 25%, the entering into of the New Asset Leasing Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and will be subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In order to ensure the compliance of the requirements of the Listing Rules, during the period from 1 January 2024 to the date when the independent Shareholders' approval is obtained, the amount payable by the parties pursuant to the New Framework Purchase Agreements and the New Asset Leasing Agreement are 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 the Listing Rules.

G. 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 New Framework Purchase Agreements and the New Asset Leasing Agreement. Ordinary resolutions will be proposed at the EGM to approve by way of poll the New Framework Purchase Agreements and the New Asset Leasing Agreement and the respective annual caps.

As at the Latest Practicable Date, Redsun Properties Group (Holdings) Limited is a controlling Shareholder, directly holding approximately 71.88% of the entire issued share capital of the Company. Redsun Properties 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, respectively. Accordingly, Redsun Properties Group (Holdings) Limited and its associates will be required to abstain from voting on the ordinary resolutions to be proposed at the EGM in respect of the New Framework Purchase Agreements and the New Asset Leasing Agreement and the respective annual caps.

LETTER FROM THE BOARD

The Company has established the Independent Board Committee to consider whether the New Framework Purchase Agreements and the New Asset Leasing Agreement 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 Merdeka Corporate Finance 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.

3. CLOSURE OF REGISTER OF MEMBERS

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 May 2024 to Wednesday, 29 May 2024, 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 Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Thursday, 23 May 2024.

4. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 57 to 58 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.rsunproperty.hk). Whether or not you intend to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Link Market Services (Hong Kong) Pty Limited, the branch share registrar of the Company in Hong Kong, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, 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.

Redsun Properties Group (Holdings) Limited will abstain from voting on the resolutions proposed at the EGM to approve the New Framework Purchase Agreements and the New Asset Leasing Agreement and the respective annual caps. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

5. RECOMMENDATION

The Board (including the independent non-executive Directors but excluding Mr. Zeng, Mr. Zeng Junkai (for the New Asset Leasing Agreement only) who have abstained from opinion and voting on the relevant resolutions) consider that the resolutions set out in the notice of EGM for Shareholders' consideration and approval are 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 resolutions to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 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 New Framework Purchase Agreements and the New Asset Leasing Agreement and the respective annual caps and the principal factors and reasons considered by them in arriving such recommendations set out on pages 23 to 44 of this circular.

Yours faithfully,
For and on behalf of the Board
Redsun Properties Group Limited
Zeng Huansha
Chairman



Redsun Properties Group Limited

弘陽地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1996)

The Independent Board Committee:

Mr. Lee Kwok Tung Louis

Mr. Leung Yau Wan John

Mr. Au Yeung Po Fung

29 April 2024

To the Independent Shareholders,

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
THE NEW FRAMEWORK PURCHASE AGREEMENTS; AND
(2) MAJOR AND CONTINUING CONNECTED TRANSACTION –
NEW ASSET LEASING AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 29 April 2024 (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 New Framework Purchase Agreements and the New Asset Leasing Agreement 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 Merdeka Corporate Finance 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 New Framework Purchase Agreements and the New Asset Leasing Agreement 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 New Framework Purchase Agreements and the New Asset Leasing Agreement 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 23 to 44 of the Circular.

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

Mr. Lee Kwok Tung Louis	Mr. Leung Yau Wan John	Mr. Au Yeung Po Fung
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Merdeka Corporate Finance Limited setting out the advice to the Independent Board Committee and the independent Shareholders in respect of the terms of each of the New Framework Purchase Agreements and the New Asset Leasing Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.



Room 1108-1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

29 April 2024

*To: Independent Board Committee and the independent Shareholders of
Redsun Properties Group Limited*

Dear Sirs/Madams,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
THE NEW FRAMEWORK PURCHASE AGREEMENTS
AND
(2) MAJOR AND CONTINUING CONNECTED TRANSACTION –
NEW ASSET LEASING AGREEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the independent Shareholders (“**Independent Shareholder(s)**”) in respect of the New Framework Purchase Agreements and the New Asset Leasing Agreement and the transactions contemplated thereunder (collectively, “**Continuing Connected Transactions**”) together with the Proposed Annual Caps, details which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular issued by Redsun Properties Group Limited (the “**Company**”) to its Shareholders dated 29 April 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As each of the Existing Framework Purchase Agreements and the Existing Leasing Agreement expired on 31 December 2023, on 22 December 2023, the Company entered into (i) the New Framework Purchase Agreements to renew the Existing Framework Purchase Agreements for a further term of three years ending 31 December 2026; and (ii) the New Asset Leasing Agreement with Nanjing Haohan to renew the Existing Leasing Agreement for a further term of three years ending 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IMPLICATIONS UNDER THE LISTING RULES

The New Framework Purchase Agreements

As at the Latest Practicable Date, (i) Nanjing Guangde is owned as to 99% by Ms. Zeng Suqing, a sister of Mr. Zeng, and 1% by Zeng Xiaoling; (ii) Nanjing Houning is owned as to 90% by Ms. Zeng Jiahui, a niece of Mr. Zeng, and 10% by Chen Shengxin; (iii) Nanjing Randong is owned as to 90% by Mr. Zeng Huandong, a brother of Mr. Zeng, and 10% by Wang Chunzhi; and (iv) Nanjing Baohong is wholly-owned by Mr. Chen Baoshan, a nephew of Mr. Zeng. Mr. Zeng is an executive Director and a controlling Shareholder. Therefore, each of Nanjing Guangde, Nanjing Houning, Nanjing Randong and Nanjing Baohong is an associate of Mr. Zeng and therefore a connected person of the Company under the Listing Rules, and the transactions contemplated under the New Framework Purchase Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Nanjing Guangde, Nanjing Houning, Nanjing Randong and Nanjing Baohong are all associates of Mr. Zeng, the Proposed Annual Caps for the transactions contemplated under each of the New Framework Purchase Agreements have been aggregated pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the aggregated annual caps for the transactions contemplated under the New Framework Purchase Agreements for each of the three years ending 31 December 2026 exceed 5%, the entering into of the New Framework Purchase Agreements and the transactions contemplated thereunder will be subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Asset Leasing Agreement

As at the Latest Practicable Date, Nanjing Haohan is wholly-owned by Mr. Zeng. Accordingly, Nanjing Haohan is the associate of Mr. Zeng and Mr. Zeng Junkai (as son of Mr. Zeng and an executive Director), and therefore a connected person of the Company under the Listing Rules, and the transactions contemplated under the New Asset Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps for the transactions contemplated under the New Asset Leasing Agreement for each of the three years ending 31 December 2026 exceed 25%, the entering into of the New Asset Leasing Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and will be subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In order to ensure the compliance of the requirements of the Listing Rules, during the period from 1 January 2024 to the date when the independent Shareholders' approval is obtained, the amount payable by the parties pursuant to the New Framework Purchase Agreements and the New Asset Leasing Agreement are 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 the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all being independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung, has been established to advise the Independent Shareholders on the terms under each of the New Framework Purchase Agreements and the New Asset Leasing Agreement (together with the Proposed Annual Caps). We, Merdeka Corporate Finance Limited (“**Merdeka**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group. During the last two years, we were appointed by the Company as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to continuing connected transactions, details of which were set out in the circular of the Company dated 10 February 2023 (the “**Previous Engagement**”). The professional fees in connection with the Previous Engagement have been fully settled and we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we do not consider the past appointment gives rise to any conflict of interest for Merdeka in respect of the New Framework Purchase Agreements and the New Asset Leasing Agreement. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the Directors, the management of the Company (the “**Management**”) and the representatives of the Company (the “**Representatives**”). We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management, the Representatives and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the EGM, and the Shareholders will be informed of any material change of information in the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Management, the Representatives and the Directors as set out in the Circular were reasonably made after due and careful inquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular as a whole misleading.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing and arriving at our advice and recommendation with regard to the New Framework Purchase Agreements and the New Asset Leasing Agreement, we have taken into account the principal factors and reasons set out below.

I. Background information of the relevant parties

a. Information on the Group

The Group 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Financial performance of the Group*

We set out below a summary of the key financial information of the Group for the years ended 31 December 2023 (the “**FY2023**”), 2022 (the “**FY2022**”) and 2021 (the “**FY2021**”) as extracted from the annual report of the Company for FY2023 (the “**2023 Annual Report**”) and for FY2022 (the “**2022 Annual Report**”), respectively.

	For the year ended 31 December		
	2023	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	19,794,695	20,013,430	26,666,979
– <i>Property development</i>	19,198,937	19,337,943	26,041,292
– <i>Commercial operations</i>	560,068	647,780	583,545
– <i>Hotel operations</i>	35,690	27,707	42,142
Gross (loss)/profit	(669,717)	1,665,564	5,081,288
(Loss)/Profit before tax for the year	(6,942,880)	(3,335,627)	3,124,812
(Loss)/Profit for the year	(7,739,675)	(3,937,807)	1,865,651

FY2022 and FY2023

For FY2023, the Group’s revenue amounted to approximately RMB19,794.7 million, representing a decrease of 1.1% from approximately RMB20,013.4 million for the same period last year. The revenue mainly included income generated from property sales, commercial operations and hotel operations, of which income generated from: (i) property sales decreased by 0.7% to approximately RMB19,198.9 million as compared to the same period last year, accounting for 97.0% of the total recognised revenue; (ii) commercial operations decreased by 13.5% to approximately RMB560.1 million as compared to the same period last year; and (iii) hotel operations increased by 28.8% to approximately RMB35.7 million as compared to the same period last year.

The Group’s gross loss for FY2023 was approximately RMB669.7 million, as compared to a gross profit of approximately RMB1,665.6 million for FY2022. During FY2023, the gross loss margin was 3.4%, as compared to the gross profit margin of 8.3% for the corresponding period last year. The gross loss margin was mainly due to the decrease in the percentage of revenue recognised for products with higher gross profit margin as compared with the corresponding period last year, and the increase in impairment recognised for properties under development and completed properties held for sale as compared with the corresponding period last year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The loss before tax of the Group during FY2023 was approximately RMB6,942.9 million, representing an increase of 108.1% from approximately RMB3,335.6 million for the corresponding period last year. During FY2023, the net loss was RMB7,739.7 million, representing an increase of 96.5% as compared with FY2022.

FY2022 and FY2021

The Group's revenue amounted to approximately RMB20,013.4 million for FY2022, representing a decrease of 25.0% from approximately RMB26,667.0 million for FY2021. The revenue mainly included income generated from property sales, commercial operations and hotel operations, of which income generated from: (i) property sales decreased by 25.7% to approximately RMB19,337.9 million as compared to FY2021, accounting for 96.6% of the total recognized revenue; (ii) commercial operations increased by 11.0% to approximately RMB647.8 million as compared to FY2021; and (iii) hotel operations decreased by 34.3% to approximately RMB27.7 million as compared to FY2021.

The Group's gross profit for FY2022 was approximately RMB1,665.6 million, representing a decrease of 67.2% from approximately RMB5,081.3 million for FY2021. Such decrease was primarily attributable to the decreased number of projects delivered during the year. The gross profit margin was 8.3% for FY2022, as compared to 19.1% for FY2021. As disclosed in the 2022 Annual Report, the decrease in gross profit margin was mainly due to the decrease in the percentage of revenue recognized for products with higher gross profit margin as compared with FY2021, and the increase in impairment recognised for properties under development and completed properties held for sale as compared with FY2021.

The Group's loss before tax was approximately RMB3,335.6 million for FY2022 as compared to a profit before tax of approximately RMB3,124.8 million for FY2021.

(ii) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2023 and as at 31 December 2022 as extracted from the 2023 Annual Report:

	As at 31 December 2023	As at 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Total assets	74,906,438	101,732,964
Total liabilities	60,082,607	77,934,497
Net assets	14,823,831	23,798,467

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the total assets of the Group amounted to approximately RMB74,906.4 million as at 31 December 2023, representing a decrease of approximately 26.4% as compared to approximately RMB101,733.0 million as at 31 December 2022. The Group's cash and bank balances as at 31 December 2023 were approximately RMB2.8 billion (as at 31 December 2022: approximately RMB4.7 billion).

Meanwhile, the Group's total liability reduced by approximately 22.9% to approximately RMB60,082.6 million as at 31 December 2023 from approximately RMB77,934.5 million as at 31 December 2022. The Group's total borrowings (including interest-bearing bank and other borrowings and senior notes) amounted to approximately RMB21.4 billion (as at 31 December 2022: approximately RMB24.3 billion), of which, interest-bearing bank and other borrowings were approximately RMB11.0 billion (as at 31 December 2022: approximately RMB13.9 billion) and senior notes were approximately RMB10.5 billion (as at 31 December 2022: approximately RMB10.4 billion).

The net assets of the Group decreased by approximately 37.7% to approximately RMB14,823.8 million as at 31 December 2023 from approximately RMB23,798.5 million as at 31 December 2022.

b. Information on the other relevant parties to the Continuing Connected Transactions

Hong Yang Land

Hong Yang Land is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in real estate development.

Nanjing Guangde

Nanjing Guangde is a company established under the laws of the PRC with limited liability and is principally engaged in the provision of construction services. It is owned as to 99% by Ms. Zeng Suqing, a sister of Mr. Zeng, and 1% by Zeng Xiaoling.

Nanjing Houning

Nanjing Houning is a company established under the laws of the PRC with limited liability and is principally engaged in the sale of construction raw materials and provision of construction services. It is owned as to 90% by Ms. Zeng Jiahui, a niece of Mr. Zeng, and 10% by Chen Shengxin.

Nanjing Randong

Nanjing Randong is a company established under the laws of the PRC with limited liability and is principally engaged in the sale of construction raw materials and provision of construction services. It is owned as to 90% by Mr. Zeng Huandong, a brother of Mr. Zeng, and 10% by Wang Chunzhi.

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Nanjing Baohong

Nanjing Baohong is a company established under the laws of the PRC with limited liability and is principally engaged in the sale of construction raw materials and provision of construction services. It is wholly-owned by Mr. Chen Baoshan, a nephew of Mr. Zeng.

Nanjing Haohan

Nanjing Haohan is a company established in the PRC with limited liability and is indirectly wholly-owned by Mr. Zeng. It is principally engaged in the sales of household goods and building materials.

II. Reasons for and benefits of entering into the New Framework Purchase Agreements and the New Asset Leasing Agreement

As set out in the Board Letter, regarding the Existing Framework Purchase Agreements, the Directors have been carefully monitoring the historical transaction amounts and estimated demand for the continuing connected transactions contemplated thereunder.

The Company believes that it is in the interest of the Company and the Shareholders as a whole to continue to carry out the purchasing businesses with the Connected Family Suppliers having considered the following factors that: (i) each Connected Family Supplier has a well-established quality control system and research and development capability to meet the Group's requirements; (ii) the supply channel of each Connected Family Supplier allows it to meet the Group's demand in the context of the Group's continuous development; (iii) each Connected Family Supplier provides high quality after-sales and maintenance services to ensure quality of products provided to the Group; (iv) the Group has established a stable relationship with each Connected Family Supplier during the course of which the relevant Connected Family Supplier has provided the Group with a steady and reliable supply of high quality products and/or services in accordance with the Group's specifications; and (v) the prices and terms of services offered by the Connected Family Suppliers have been no less favorable than those offered by Independent Third Parties.

Having considered that (i) the Group is a comprehensive property developer in the PRC with the principal business of development of residential properties and the development, operation and management of commercial and comprehensive properties; (ii) the strong quality control systems and research and development capabilities of the Connected Family Suppliers, which are able to fulfil the Group's requirements; (iii) the reliable supply channels the Connected Family Suppliers that can accommodate the Group's continuous development; (iv) high-quality after-sales and maintenance services provided by the Connected Family Suppliers based on the previous cooperation between the Group and the Connected Family Suppliers; and (v) the New Framework Purchase Agreements offer the Group an option, but not an obligation, to procure the Connected Family Suppliers for the services contemplated thereunder, we concur with the Directors' view that the entering into of the New Framework Purchase Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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As to the reasons and benefits of entering into the New Asset Leasing Agreement, the Premise was previously already leased by the Group to Nanjing Haohan for its operation. In view of the past operational convenience and benefits brought to the Group and extended business relationships established between the Group and Nanjing Haohan, such continuing relationships are expected to bring synergies to the parties and improve customers' satisfaction.

In view of the prolonged relationship established between the Group and Nanjing Haohan and the entering into the New Asset Leasing Agreement allow the Group to bring synergies to the parties and improve customers' satisfaction, which eventually allow the Group to generate stable rental revenue and increase the return to the Shareholders, we concur with the Directors' view that the entering into of the New Asset Leasing Agreement is also in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

III. The New Framework Purchase Agreements

(a) Principal terms of the New Framework Purchase Agreements

Pursuant to the New Framework Purchase Agreements, (i) Nanjing Guangde shall provide construction services to the Group (the "**Construction Services**") according to the definitive purchase agreements to be signed by the Group with Nanjing Guangde from time to time; and (ii) Nanjing Houning, Nanjing Randong and Nanjing Baohong shall provide raw materials (including building stones, sanitary wares and bricks) and/or the related supplementary installation services to the Group (the "**Raw Materials and Installation Services**") according to the definitive purchase agreements to be signed by the Group with Nanjing Houning, Nanjing Randong and Nanjing Baohong from time to time, for a term of 3 years from 1 January 2024 to 31 December 2026 and will be effective upon the approval of the Independent Shareholders at the EGM. Details of the services, price, payment terms, standards and settlement of the procurement of services by the Group from the Connected Family Suppliers shall be set out in the definitive purchase agreements to be signed by the parties from time to time.

According to the Board Letter, price of the Construction Services or the Raw Materials and Installation Services procured by the Group from Nanjing Guangde, Nanjing Houning, Nanjing Randong or Nanjing Baohong (as the case may be) shall be on normal commercial terms, and fair and reasonable and shall not be less favorable to the Company as compared to those offered by independent services providers for the same type of services, which will be governed by going through a tender process that is overseen by an evaluation committee formed by the Company (the "**Tender Process**").

As mentioned in the section headed "Tender Process for Connected Family Suppliers" in the Board Letter, we noted that the Company has formed an evaluation committee, which comprises three to five members, to oversee the selection of suppliers in the Group's purchases of raw materials and services. The members include the supervisor of the Company's cost management department, the supervisor of the Company's engineering management department, the supervisor of the Company's design management department and the supervisor of the Company's tender and procurement department.

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Based on the Board Letter and our discussion with the Management, it is noted that the Company will invite at least three potential bidders consisting of at least two of whom should be Independent Third Parties, through either publication of tender announcement on the Company's public tender and procurement platform or tender invitation, to ensure the fee quotes of services and/or raw materials submitted by the Connected Family Suppliers would be comparable to those offered by the Independent Third Parties. Prior to bidding, the Company's tender and procurement department will review information and qualifications as well as expertise of potential new suppliers to ensure the eligibility of the potential new suppliers, meanwhile, the tender group will on the other hand inspect of potential new suppliers, who will only be selected to participate in bidding upon passing tender group's inspection. When the Connected Family Supplier is selected to participate in bidding process, all connected and independent suppliers will be evaluated by the Company's design management department, engineering management department, and cost management department in respect of business and technical aspects through, for example, a scoring system or an interview. The factors to be assessed include but are not limited to product prices, organization structure, product quality, quality control system, maintenance and/or after-sales services, ability to meet delivery deadlines, cost control, and technical knowledge of relevant personnel. Upon completion of evaluation, suppliers' evaluation report and their submitted tendering documents will be submitted to the evaluation committee for review. The Management advised that the lowest fee quoted by the potential supplier(s) will be selected. As such, the Connected Family Suppliers will only be selected if they are considered to have competitive advantages with favourable price in the provision of the relevant raw materials and services.

For our assessment on the pricing terms for the Construction Services and/or the Raw Materials and Installation Services to be provided by the Connected Family Supplier(s) under the New Framework Purchase Agreements, we were provided by the Management that (a) a total of six contracts for services/raw materials procured by the Group from the Connected Family Supplier(s) under the Existing Framework Purchase Agreements for the three years ended 31 December 2023 (the "**Connected Contracts**"); and (b) a total of nine contracts for similar services/raw materials procured by the Group from the Independent Third Parties for the three years ended 31 December 2023 (the "**Third Party Contracts**", collectively with the Connected Contracts as the "**Sample Contracts**"). As confirmed by the Management, the selected Connected Contracts represent the largest two projects of the Group under the Existing Framework Purchase Agreements for each of the three years ended 31 December 2023. Additionally, the selected Third Party Contracts respectively represent the largest three projects for each of the three years ended 31 December 2023. As such, we consider to the Connected Contracts and the Third Party Contracts to be fair and representative.

Based on our review on the Connected Contracts, the Third Party Contracts and the relevant internal procedures to approve the transactions, we noted that both the Connected Contracts and the Third Party Contracts had to pass through the Tender Process and the lowest fee quoted by the service provider was selected based on our discussion with the Management and our review on the documents, and it is further advised by the Management that same procedure and standard will be adopted for the transactions under the New Framework Purchase Agreements. Hence we consider that the pricing terms of the Construction Services and/or the Raw Materials and Installation Services under the New Framework Purchase Agreements to be offered by the Connected Family Suppliers shall be no less favorable than those offered by Independent Third Party service providers.

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As further understood from the Management, the payment terms for (i) the Construction Services shall be make reference to the actual status of the provision of such services according to each projects which shall have different scale and timeline, respectively; and (ii) the Raw Materials and Installation Services shall be made when the raw materials are delivered. Therefore, when the Group enters into specific purchase agreements with the Connected Family Suppliers under the New Framework Purchase Agreements, the Company would negotiate payment terms with the respective parties based on the actual scope of the project for the provision of services/raw materials. Based on the documents provided by the Management for the Sample Contracts and our discussion with the Management, we understood that the payment terms under the Third Party Contracts and the Connected Contracts are similar, which shall be settled based on the actual completion or delivery progress for the Construction Services or the Raw Materials and Installation Services (as the case may be), which align with the market practices as confirmed by the Management.

As such, we consider that the terms of the New Framework Purchase Agreements are on normal commercial terms or better and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(b) Historical figures, existing annual caps and Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps for each of the agreements under the New Framework Purchase Agreements:

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	Year ended 31 December 2021		Year ended 31 December 2022		Year ended 31 December 2023		Year ending 31 December 2024	Year ending 31 December 2025	Year ending 31 December 2026
	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Proposed Annual Cap (RMB'000)	Proposed Annual Cap (RMB'000)	Proposed Annual Cap (RMB'000)
The New Zeng Suqing Framework									
 Purchase Agreement									
Nanjing Guangde	80,000	20,616	80,000	19,290	80,000	15,921	20,000	16,000	16,000
The New Zeng Huandong Framework									
 Purchase Agreement									
Nanjing Houning	30,000	-	30,000	-	30,000	-	7,500	6,000	6,000
Nanjing Randong	2,000	-	2,000	-	2,000	-	500	400	400
Sub-Total	32,000		32,000		32,000		8,000	6,400	6,400
The New Chen Baoshan Framework									
 Purchase Agreement									
Nanjing Baohong	20,000	2,662	20,000	-	20,000	-	5,000	4,000	4,000
Total	132,000	23,278	132,000	19,290	132,000	15,921	33,000	26,400	26,400

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I. Proposed Annual Caps for the New Zeng Suqing Framework Purchase Agreement

As set out in the Board Letter, there has been no transaction between the Company and Nanjing Guangde from 1 January 2024 to the Latest Practicable Date. The Proposed Annual Caps under the New Zeng Suqing Framework Purchase Agreement are determined with reference to, among other things, (i) historical transaction amounts under the Existing Zeng Suqing Framework Purchase Agreement for the provision of the construction services by Nanjing Guangde to the Group during the three years ended 31 December 2023; (ii) the Company's estimation of the demand for the relevant construction services with reference to the Group's development, for which the Group may need construction services from Nanjing Guangde; and (iii) the amount of estimated business based on the expected business development between Nanjing Guangde and the Group.

As illustrated above, it is noted that the utilisation rate under the New Zeng Suqing Framework Purchase Agreement were generally low for the three years ended 31 December 2023, representing only approximately 25.8%, 24.1% and 19.9%, respectively. We enquired with the Management and were advised that the low and decreasing utilisation rate for the Construction Services were primarily attributed to the factors that (i) certain expected projects were postponed due to COVID-19 pandemic and therefore were not carried out as planned; and (ii) Nanjing Guangde was not successful in winning some of the bids submitted.

We also understood from the Management that, during FY2021 and FY2022 and for FY2023, Nanjing Guangde had submitted 14, 15 and 7 bids to the Group for the provision of Construction Services. Out of these submission, only 6, 8 and 5 projects were awarded to Nanjing Guangde as other independent suppliers offered more competitive packages to the Group.

As further advised by the Management, discussions have been held with the Group and Nanjing Guangde in connection with the property development projects of the Group which would potentially require the Group to procure the Construction Services from Nanjing Guangde for the three years ending 31 December 2026. It is anticipated that the Group will continue to invite Nanjing Guangde to participate in the Tender Process, and procure Nanjing Guangde to provide such service if the bid is awarded to them.

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In assessing the reasonableness of the Proposed Annual Caps under the New Zeng Suqing Framework Purchase Agreement, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the Proposed Annual Caps under the New Zeng Suqing Framework Purchase Agreement. We have also obtained and reviewed the computation worksheets (i.e. the lists of property development projects) provided by the Management for the Proposed Annual Caps (the “**Property Project List**”) which is mainly based on the followings:

- (a). as mentioned above, the historical actual transaction amounts of the Existing Zeng Suqing Framework Purchase Agreement for FY2021 and FY2022 amounted to approximately RMB20.6 million and RMB19.3 million with utilisation rate of existing annual cap of approximately 25.8% and 24.1%, respectively. The historical transaction amount for FY2023 amounted to approximately RMB15.9 million with utilisation rate of approximately 19.9%. As the Proposed Annual Caps under the New Zeng Suqing Framework Purchase Agreement, which is determined with reference to the factors including but not limited to historical transaction amount, are reduced to approximate to the historical actual transaction amounts, on this basis, the aforesaid Proposed Annual Caps are considered to be reasonable;
- (b). as advised by the Management, the estimated demand of Construction Services of the Group is mainly driven by the progress, development and delivery of the relevant property projects of the Group at the relevant time. In this connection, we have obtained the Property Project List from the Company and have conducted research on information of property projects of the Group with reference to the 2023 Annual Report. According to the 2023 Annual Report, we understand that as at 31 December 2023, the Group was engaged in a total of 187 property projects with a total gross floor area (“**GFA**”) of land bank of approximately 12,509,266 square meter (“**sq.m.**”), including completed properties totaled 1,929,760 sq.m., rentable area held for investment totaled 966,596 sq.m. and properties under development totaled 7,947,510 sq.m. On the other hand, according to the Property Project List, it is to our best knowledge that the Management expects to invite Nanjing Guangde to participate bidding for 24 projects that require the Construction Services principally located in the cities including but not limited to Nanjing, Nantong, Changzhou, Hefei, Xuzhou and Chongqing throughout 2024 to 2026; and

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- (c). based on our discussion with the Management, we understood the Proposed Annual Caps were principally projected based on the historical transaction amounts of the Existing Zeng Suqing Framework Purchase Agreement and the respective service fee of the Construction Services with reference to (i) the aggregate GFA of the property projects expected by the Company that will require the service from Nanjing Guangde; (ii) the historical winning rate of tender by Nanjing Guangde; (iii) the expected service fees referring to the prevailing market rate for similar services; (iv) the expected time of completion and delivery of the property according to the best estimates from the Board; and (v) the Group's future property development plan.

Having considered that (i) the Proposed Annual Caps for the New Zeng Suqing Framework Purchase Agreement were determined primarily based on historical transaction amounts between the Group and Nanjing Guangde; (ii) the basis on which the Proposed Annual Caps were determined as described above; and (iii) the Group has the right but not the obligation to procure Nanjing Guangde for the Construction Services, we are of the view that Proposed Annual Caps for the New Zeng Suqing Framework Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

II. Proposed Annual Caps for the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement

As further set out in the Board Letter, there has been no historical transaction under the Existing Zeng Huandong Framework Purchase Agreement for the three years ended 31 December 2023 and no historical transaction under the Existing Chen Baoshan Framework Purchase Agreement for the three years ended 31 December 2023 as the Nanjing Houning, Nanjing Randong and Nanjing Baohong were unable to win the tender from the tender process. In addition, in order to comply with the Listing Rules, there has been no transaction between the Company and each of Nanjing Houning, Nanjing Randong and Nanjing Baohong from 1 January 2024 to the Latest Practicable Date. The Proposed Annual Caps under the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement are determined with reference to, among other things: (i) the historical transaction amounts for the three years ended 31 December 2023; (ii) the Company's estimation of the demand for the relevant construction services with reference to the Group's development, for which the Group may need raw materials and supplementary installation services from Nanjing Houning, Nanjing Randong and Nanjing Baohong (i.e. the Raw Materials and Installation Services); and (iii) the amount of estimated additional business based on the expected business development among Nanjing Houning, Nanjing Randong, Nanjing Baohong and the Group.

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As further illustrated above, it is noted that the utilisation rate under the New Zeng Huandong Framework Purchase Agreement was nil for each of FY2021, FY2022 and FY2023, and utilisation rate of the existing annual caps under the New Chen Baoshan Framework Purchase Agreement was approximately 13.31% for FY2021 and nil utilisation rate was recorded for each of FY2022 and FY2023. We enquired with the Management and were advised that the minimal utilisation rate for the Raw Materials and Installation Services was primarily attributed to the factors that (i) certain expected projects were postponed due to COVID-19 pandemic and therefore were not carried out as planned; and (ii) each of Nanjing Houning, Nanjing Randong, Nanjing Baohong was not successful in winning some of the bids submitted.

We further understood from the Management that, during the three years ended 31 December 2023, (i) each of Nanjing Houning and Nanjing Randong had submitted 1, 0 and 0 bids and 0, 0 and 0 bids to the Group for the provision of Raw Materials and Installation Services, while nil projects were awarded to Nanjing Houning and Nanjing Randong as other independent suppliers offered more competitive packages to the Group; and (ii) Nanjing Baohong had submitted 3, 2 and 3 bids to the Group for the provision of Raw Materials and Installation Services, while only 3 projects were awarded to Nanjing Baohong for the FY2021 and nil projects were awarded to Nanjing Baohong for FY2022 and FY2023 as the other independent suppliers offered more competitive packages to the Group.

As advised by the Management, discussions have been held with the Group and each of Nanjing Houning, Nanjing Randong and Nanjing Baohong in connection with the property development projects of the Group which would potentially require the Raw Materials and Installation Services from each of them for the three years ending 31 December 2026, respectively. It is anticipated that the Group will continue to invite each of Nanjing Houning, Nanjing Randong and Nanjing Baohong to participate in the Tender Process, and procure them to provide such service if the bid is awarded to them.

In assessing the reasonableness of the Proposed Annual Caps for the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the Proposed Annual Caps. We have also obtained and reviewed from the Management the Property Project List for the Proposed Annual Caps for the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement which is mainly based on the followings:

- (a). as mentioned above, there was (i) no historical actual transaction amount for the Existing Zeng Huandong Framework Purchase Agreement for FY2021, FY2022 and FY2023; and (ii) only approximately RMB2.66 million was recorded for the Existing Chen Baoshan Framework Purchase Agreement for FY2021 and nil transaction amount for FY2022 and FY2023. As the Proposed Annual Caps, which is determined with reference to the factors including but not limited to historical transaction amount, are reduced to approximate to the historical actual transaction amounts, on this basis, the Proposed Annual Caps are considered to be reasonable;

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- (b). as advised by the Management, the estimated demand of Raw Materials and Installation Services of the Group is mainly driven by the progress, development and delivery of the relevant property projects of the Group at the relevant time. In this connection, we have obtained the Property Project List from the Company and have conducted research on information of property projects of the Group with reference to the 2023 Annual Report. According to the 2023 Annual Report, we understand that as at 31 December 2023, the Group was engaged in a total of 187 property projects, with a total GFA of land bank of approximately 12,509,266 square meter (“**sq.m.**”), including completed properties totaled 1,929,760 sq.m., rentable area held for investment totaled 966,596 sq.m. and properties under development totaled 7,947,569 sq.m. On the other hand, according to the Property Project List, it is to our best knowledge that the Management expects to invite (i) Nanjing Houning to participate bidding for a total of 9 projects; (ii) Nanjing Randong to participate bidding for a total of 4 projects; and (iii) Nanjing Baohong to participate bidding for a total of 7 projects for Raw Materials and Installation Services, principally located in the cities including but not limited to Nanjing, Changzhou, Xuzhou and Wu’xi throughout 2024 to 2026; and
- (c). based on our discussion with the Management, we understood the Proposed Annual Caps for the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement were principally projected based on the historical transaction amounts of the Existing Zeng Huandong Framework Purchase Agreement and Existing Chen Baoshan Framework Purchase Agreement and the respective supply costs of the Raw Materials and Installation Services with reference to (i) the aggregate GFA of the property projects expected by the Company that will require the service from Nanjing Houning, Nanjing Randong and Nanjing Baohong; (ii) the historical winning rate of tender by Nanjing Houning, Nanjing Randong and Nanjing Baohong; (iii) the expected raw material costs referring to the prevailing market rate for similar products; (iv) the expected time of completion and delivery of the property according to the best estimates from the Board; and (v) the Group’s future property development plan.

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Having considered that (i) the Proposed Annual Caps for the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement were reduced with reference to the historical transaction amounts between the Group and Nanjing Baohong; (ii) despite nil historical transaction amount were recorded for the Existing Zeng Huandong Framework Purchase Agreement, the New Zeng Huandong Framework Purchase Agreement provides a flexibility to the Group to procure the Raw Materials and Installation Services if the terms provided by Nanjing Houning and Nanjing Randong are no less favourable than those offered by independent suppliers; (iii) the basis on which the Proposed Annual Caps were determined as described above; and (iv) the Group has the right but not the obligation to procure Nanjing Houning, Nanjing Randong and Nanjing Baohong for the Raw Materials and Installation Services, we are of the view that Proposed Annual Caps for the New Zeng Huandong Framework Purchase Agreement and the New Chen Baoshan Framework Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

As such, we consider the Proposed Annual Caps under the New Framework Purchase Agreements to be fair and reasonable so far as the Independent Shareholders are concerned.

IV. The New Asset Leasing Agreement

(a) Principal terms of the New Asset Leasing Agreement

The principal terms of the New Asset Leasing Agreement are set out below:

Date:	22 December 2023
Parties:	a) Hong Yang Land (as lessor); and b) Nanjing Haohan (as lessee).
Term:	from 1 January 2024 to 31 December 2026, subject to renewal by mutual agreement of the parties thereto.
Premise:	the aggregate lettable floor area of 136,707 sq.m in Halls A1, A2 and A4 Nanjing Hong Yang Plaza and areas within the red line around Halls A1-A4, Hong Yang Plaza, No. 48 Daqiao North Road, Pukou District, Nanjing, the PRC.

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Payment Method of the Rent:

Upon mutual negotiation between Hong Yang Land and Nanjing Haohan, Nanjing Haohan shall pay the rent to Hong Yang Land on a semi-annual basis, among which, the rent for the first half of each year shall be paid before 31 August of the current year to Hong Yang Land, and the rent for the second half of each year shall be paid before 30 April of the following year to Hong Yang Land, and such rents shall be paid to the designated bank account of Hong Yang Land.

(b) Historical figures, existing annual caps and the Proposed Annual Caps

The table below sets out the historical figures, existing annual caps and the Proposed Annual Caps for the New Asset Leasing Agreement:

	Year ended		Year ended		Year ended		Year ending	Year ending	Year ending
	31 December 2021		31 December 2022		31 December 2023		31 December	31 December	31 December
							2024	2025	2026
	Actual		Actual		Actual		Proposed	Proposed	Proposed
Annual cap	amount	Annual cap	amount	Annual cap	amount	Annual	Annual	Annual	
(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	Cap	Cap	Cap	
						(RMB'000)	(RMB'000)	(RMB'000)	
The New Asset Leasing Agreement									
Nanjing Haohan	262,033	260,385	275,140	275,140	288,894	123,013	159,060	159,060	

As set out in the Board Letter, due to the huge floor area of the Premise covered under the New Asset Leasing Agreement to renew the Existing Leasing Agreement, transaction has begun between Hong Yang Land and Nanjing Haohan from 1 January 2024 to the Latest Practicable Date and the Company may not have fully complied with the Listing Rules. However, the non-compliance is totally unintentional, as additional time is required to finalize certain information, and the Company is fully aware that the transaction contemplated under the New Asset Leasing Agreement is conditional on the Independent Shareholders' approval at the EGM. The Company will strive to improve its internal training and planning for future continuing connected transactions to obtain the required Independent Shareholders' approval earlier in compliance with the Listing Rules. The Proposed Annual Caps under the New Asset Leasing Agreement are determined based on the rental fees payable by Nanjing Haohan as agreed under the New Asset Leasing Agreement, which was determined by both parties on normal commercial terms and with reference to, among other things, the prevailing market rates of similar properties in the vicinity and the expected rate of inflation during the term of the lease.

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As illustrated above, it is noted that the utilisation rate under the New Asset Leasing Agreement were generally at maximum for the three years ended 31 December 2023, amounting to approximately 99.4%, 100.0% and 42.6%, respectively.

As understood from the Management, the Premise is located at the Nanjing Hong Yang Plaza, which is an integrated commercial complex consisting of department stores, furniture and construction material shopping malls, restaurants, movie theaters, entertainment facilities and amusement parks. In addition to providing its customers with daily necessities, Nanjing Hong Yang Plaza also caters to a variety of needs with its social, recreational, and cultural elements. It is noted that the Company commenced the commercial operation of the Nanjing Hong Yang Plaza in May 2011 and started the renovation and upgrading work in 2016 with an investment of more than RMB100.0 million.

As advised by the Management, the Group have leased the Premise to Nanjing Haohan for the use of home furnishing mall since October 2017. We have obtained and reviewed the leasing agreements of the Premise and understood that the principal terms of the Existing Leasing Agreement and the New Asset Leasing Agreement are substantially the same except for the rental rates.

For our assessment on the Proposed Annual Caps under the New Asset Leasing Agreement, we have also obtained a summary list of the property in the Nanjing Hong Yang Plaza that the Group leases to independent tenant (the “**Summary List**”). Based on the criteria that (i) gross area of leased property in Nanjing Hong Yang Plaza exceeds 1,000 sq.m; (ii) the monthly rental fee is a fixed amount; and (iii) the transactions were entered into between the Group and independent tenant since 2022, there are two transactions are identified (the “**Comparable Transactions**”). The unit rates of Comparable Transactions amounted to RMB70.0 and RMB30.0 sq.m with an average of approximately RMB50.0 sq.m.

Given that the monthly rent of the Premise would be approximately RMB13.255 million and the aggregate lettable floor area of 136,707 sq.m, the unit rate of the Premise under the New Asset Leasing Agreement would be approximately RMB96.96, which is higher than the range of the Comparable Transactions. As such, we consider the unit rate of the Premise to determine the Proposed Annual Caps under the New Asset Leasing Agreement to be justifiable, and the Proposed Annual Caps under the New Asset Leasing Agreement to be fair and reasonable.

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V. Internal Control

The Company 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 Framework Purchase Agreements and the New Asset Leasing Agreement) 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 Company, 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 Company 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 Company 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 Company will prepare an annual report to the supervisor of the financial management department of the Company. The supervisor of the financial management department will report to the audit committee of the Company 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) 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.

We consider that the abovementioned measures are in the interests of the Independent Shareholders as their interests are safeguarded by (a) performing market research and verification on the service fees to be charged by connected person as compared to Independent Third Parties; and (b) the monitoring and reviewing processes to be carried out (including those to be carried out by the financial management, senior management and/or the audit committee) to ensure the terms of the continuing connected transactions are fair and reasonable and are in the interests of the Shareholders and no less favourable to the Group than those available to the Group from Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group; and (ii) the terms of Continuing Connected Transactions contemplated under the New Framework Purchase Agreements and the New Asset Leasing Agreement and the Proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of Company and the Independent Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM in this regard.

Yours Faithfully,
For and on behalf of
Merdeka Corporate Finance Limited
Wallace So
Managing Director

Mr. Wallace So is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in corporate finance.

I. FINANCIAL INFORMATION OF THE GROUP

The financial information the Group for the three years ended 31 December 2021, 2022 and 2023 are disclosed on pages 167 to 360 of the annual report of the Company for the year ended 31 December 2021, pages 154 to 352 of the annual report of the Company for the year ended 31 December 2022 and pages 153 to 352 of the annual report of the Company for the year ended 31 December 2023, respectively, all of which are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.rsunproperty.hk). Please also see below the quick links to such financial information:

The Company's 2021 annual report:

www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600709.pdf

The Company's 2022 annual report:

www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042603025.pdf

The Company's 2023 annual report:

www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042400630.pdf

II. INDEBTEDNESS OF THE GROUP**(1) Bank Borrowings**

As at the close of business on 31 March 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total bank and other borrowings of approximately RMB10,710.2 million and senior notes of approximately RMB10,472.0 million, comprising secured and unsecured bank and other borrowings of approximately RMB20,205.4 million and RMB976.9 million, respectively. The secured bank and other borrowings were secured by the Group's bank deposits, property, plant and equipment, investment properties, completed properties held for sale, financial assets at fair value through profit or loss, interests in joint ventures and associate and shares charges in respect of the equity interests in certain subsidiaries of the Group.

(2) Guarantees

As at 31 March 2024, the Group had guarantees (i) given in favour of the banks in respect of mortgage facilities granted to certain purchasers of the Group's property units in the amount of approximately RMB9,138.1 million; and (ii) given in favour of the banks and other institutions in respect of facilities granted to related parties and other parties in the amount of approximately RMB6,075.4 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans, or other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or mortgages and charges, and there were no other material contingent liabilities nor guarantees at the close of business on 31 March 2024.

III. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry the Group would not have sufficient working capital for the next 12 months, with an estimated shortfall in working capital of approximately RMB12,290.2 million to RMB13,718.5 million.

Major assumptions and events taken into account by the Directors in preparing the working capital forecast include:

- (i) no new financing (including debt financing and/or equity financing and/or any other alternative financing) will be obtained by the Group; and
- (ii) the core business operation and asset base (including real assets, financial assets and any other forms of assets and/or liabilities and contingent liabilities) of the Group and the market conditions in which the Group operates and/or invests in will not differ materially from those of present, including no acquisition or disposal and/or intended acquisition or disposal (save for the Disposal) with concrete terms would be proposed, conducted and/or completed by the Group during the next 12 months.

Nevertheless, the abovementioned shortfall in working capital was mainly attributable to the full repayment of (i) the Group's bank and other borrowings and senior notes which were defaulted as at 31 March 2024 or will be due within the next twelve months amounted to approximately RMB12,477.6 million, including certain bank and other borrowings and senior notes which were defaulted as at 31 March 2024 amounted to approximately RMB7,918.8 million; (ii) the interest of certain bank and other borrowings and senior notes which were defaulted as at 31 March 2024 amounted to RMB1,285.3 million, triggering the events of default of certain senior notes amounted to RMB4,050.9 million; and (iii) certain bank and other borrowings that cross-defaults were triggered amounted to RMB790.1 million.

The Board has continuously devoted effort to resolve the shortfall in working capital mentioned above, including but not limited to:

- (i) The Group has appointed financial advisors to assist it with a holistic restructuring of its offshore debts, in order to reach a consensual solution with all the stakeholders as soon as practicable;
- (ii) The Group has been actively negotiating with several banks and financial institutions on the extension for repayments of certain borrowings;
- (iii) The Group has been actively negotiating with several financial institutions to obtain new loans at a reasonable cost for ensuring delivery of its property projects under development;
- (iv) The Group will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (v) The Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties;
- (vi) The Group has implemented measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and
- (vii) The Group will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows.

The Board is of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2024.

IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the 2023 Interim Report of the Company, in the face of the continual downturn of the industry and market, the Group will adjust its sales strategy in accordance with the actual situation and actively expand its sales, taking into account the business mindset of “preserving the value of products and safeguarding assets”. On the investment side, the Group will promote cash flow through multiple channels; and on the risk control side, efforts will be made to help the Company realize cash inflow, reduce costs and increase efficiency.

The Company will ensure project delivery and continue to fulfil its delivery commitments. While ensuring the quantity of project delivery, the Company will also ensure the quality of delivery as well as the safety and stability of cash flow by controlling three major expenses, preventing risks, and keeping the expenditure within the limits of revenues. The Company will adjust the financing structure to further reduce financing costs. The Company will safeguard assets and ensure a limit for cash security, taking into account both the value of products and the preservation of assets, and revitalizing assets at the same time.

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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

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 the 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 set out below:

Long position in the Shares of the Company

Name of Director	Nature of interest	Number of Shares	Percentage of shareholding
Mr. Zeng (<i>Note 1</i>)	Interest in controlled corporation	2,400,000,000	71.88%

Note:

- (1) Redsun Properties Group (Holdings) Limited (“**Redsun Properties Group (Holdings)**”) is wholly owned by Hong Yang Group Company Limited (“**Hong Yang Group Company**”), which in turn is wholly owned by Hong Yang International Limited (“**Hong Yang International**”), which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) Limited (“**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 Huansha is deemed to be interested in the Shares held by Redsun Properties Group (Holdings) by virtue of the SFO.

Long position in Underlying Shares

Name of Director	Nature of interest	Number of underlying Shares subject to the Pre-IPO Share Options	Approximate percentage of shareholding
Mr. Zeng Junkai (<i>Note 1</i>)	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 the Company pursuant to the Pre-IPO Share Option Scheme, details of which are set out in the section headed “Share Option Schemes” in the interim report of the Company for the six months ended 30 June 2022.

Long position in the shares of Associated Corporations

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding ⁽¹⁾
Mr. Zeng Huansha	Interest in controlled corporation	Redsun Properties Group (Holdings)	100%
	Interest in controlled corporation	Hong Yang Group Company	100%
	Interest in controlled corporation	Hong Yang International	100%
	Interest in controlled corporation	Hong Seng Limited ⁽¹⁾	100%
	Interest in controlled corporation	Huaibei Hong Yang Furniture Management Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Jiangsu Hong Yang Commercial (Group) Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Nanjing Hong Life Real Estate Consulting Co., Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Qingdao Hong Yang Furniture Co., Ltd. ⁽¹⁾	100%

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding⁽¹⁾
	Interest in controlled corporation	Jiangsu Red Sun Industrial Raw Materials City Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Chuzhou Hong Yang Furniture Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Nanjing Hong Yang Furniture Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Hong Life Property Management Co., Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Nanjing Hong Life Investment Management Co., Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Nanjing Hong Life Info Tech Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Nanjing Hong Life Pension Service Corporation Co., Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Jiaozuo Hong Yang Furniture Co., Ltd.	100%
	Interest in controlled corporation	Bengbu Hong Bao Commercial Management Co., Ltd.	100%
	Interest in controlled corporation	Tianjin Hong Yang Furniture Market Management Co., Ltd.	100%
	Interest in controlled corporation	Wuhu Hong Yang Commercial Management Co., Ltd.	100%
	Interest in controlled corporation	Shanghai Hong Yang Info Tech Development Co., Ltd. ⁽¹⁾	100%

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding⁽¹⁾
	Interest in controlled corporation	Nanjing Zhi Cheng Info Tech Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Hong Yang Commercial Factoring (Shenzhen) Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Nanjing Hong Bang Enterprise Management and Consulting Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Jiangsu Feng He Construction Management Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Nanjing Hong Cheng Property Management Co., Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Zhejiang Hong Han Marketing Services Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Jiangsu Hong Yang Small Town Operation and Development Co., Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Nanjing Hong Yang E-Commerce Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Hong Yang Property Service Group Co., Ltd. ⁽¹⁾	72.77%
	Interest in controlled corporation	Nanjing Hong Yang Life Commercial Management Co., Ltd. ⁽¹⁾	100%
	Interest in controlled corporation	Nanjing Hong Yang Property Management Co., Ltd. ⁽¹⁾	72.77%

Name of Director	Nature of interest	Name of associated corporation	Approximate percentage of shareholding ⁽¹⁾
	Interest in controlled corporation	Wuxi Hong Yang Commercial Management Co., Ltd. ⁽¹⁾	100%

Note:

(1) These companies are subsidiaries of Hong Yang Group Company.

Save 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. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

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:

Long position in the Shares of the Company

Name of Substantial Shareholder	Nature of interest	Number of shares interested	Approximate percentage of shareholding
Redsun Properties Group (Holdings) <i>(Note 1)</i>	Beneficial owner	2,400,000,000	71.88%
Hong Yang Group Company <i>(Note 1)</i>	Interest in controlled corporation	2,400,000,000	71.88%
Hong Yang International <i>(Note 1)</i>	Interest in controlled corporation	2,400,000,000	71.88%
Hong Yang Group (Holdings) <i>(Note 1)</i>	Interest in controlled corporation	2,400,000,000	71.88%
Ms. Chen Sihong <i>(Note 2)</i>	Interest of spouse	2,400,000,000	71.88%

Notes:

- (1) Redsun Properties 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 Properties Group (Holdings) by virtue of the SFO.
- (2) Ms. Chen Sihong is the spouse of Mr. Zeng and is therefore deemed to be interested in the shares in which Mr. Zeng 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, Supervisors 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 2023, 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 2023, 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
Merdeka Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts 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, each of the above experts 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 2023 (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. LITIGATION

A winding-up petition against the Company (the "**Petition**") dated 14 February 2024 was filed by The Bank of New York Mellon, London Branch in the High Court of the Hong Kong Special Administrative Region (the "**High Court**"), in connection with a financial obligation in the amount of not less than USD228,500,000, being the amount of payment under the USD200,000,000 9.50% guaranteed notes due 2023 issued by the Company. The Company is seeking legal advice in respect of its appropriate response to the Petition. As at the Latest Practicable Date, no substantial hearing has taken place in relation to the Petition and no winding-up order has been made by the High Court against the Company. Please refer to the announcement of the Company dated 16 February 2024 for further details of the Petition.

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, no member of the Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

X. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) were entered into by members of the Group within the two years immediately preceding the issue of this circular which are or may be material:

- a) the New Zeng Suqing Framework Purchase Agreement;
- b) the New Zeng Huandong Framework Purchase Agreement;
- c) the New Chen Baoshan Framework Purchase Agreement;
- d) the New Asset Leasing Agreement;
- e) the equity and debt transfer agreement dated 9 August 2023 entered into among Guangzhou Pearl River Industrial Real Estate Company Limited (廣州珠寶地產有限公司), Guangzhou Hongzong Real Estate Development Company Limited (廣州市弘宗房地產開發有限公司) and Guangzhou Jingrun Real Estate Development Company Limited (廣州環潤房地產開發有限公司) in respect of the disposal of the sale shares and the sale loan pursuant to the terms and conditions of the equity and debt transfer agreement. Please refer to the announcement of the Company dated 9 August 2023 for details; and
- f) the equity transfer agreement dated 15 August 2022 entered into among Guangzhou Hongyu Real Estate Development Co., Ltd 廣州市弘裕房地產開發有限公司 (“**Guangzhou Hongyu**”), being an indirect wholly-owned subsidiary of the Company, Guangzhou Merchants Property Development Limited 廣州招商房地產有限公司 (“**Guangzhou Merchants**”), Wuhan Dabenying Commercial Management Co., Ltd. 武漢大本營商業管理有限公司 (“**Wuhan Dabenying**”) and Guangzhou Zhaoying Real Estate Co., Ltd. 廣州招贏房地產有限責任公司, being the project company, pursuant to which Guangzhou Hongyu agreed to sell the sale shares and the sale loan, and each of Guangzhou Merchants and Wuhan Dabenying agreed to purchase 50% of the sale shares and 50% of the sale loan, for an aggregate consideration of RMB856,812,677.90. Please refer to the announcement of the Company dated 15 August 2022 for details.

XI. 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.rsunproperty.hk) from the date of this circular up to and including the date of the EGM:

- a) New Zeng Suqing Framework Purchase Agreement;
- b) New Zeng Huandong Framework Purchase Agreement;
- c) New Chen Baoshan Framework Purchase Agreement;
- d) New Asset Leasing Agreement;
- e) the Letter from the Board, the text of which is set out on pages 5 to 20 of this circular;
- f) the Letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- g) the Letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 44 of this circular;
- h) the letter of consent from the expert identified in the section headed “EXPERT’S QUALIFICATIONS AND CONSENTS” above in this appendix.

XII. GENERAL

- a) The registered office of the Company is Cayman Corporate Centre, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.
- b) The principal place of business and head office of the Company in the PRC is at 26th Floor, Hong Yang Building, No. 9 Daqiao North Road, Pukou District, Nanjing, Jiangsu Province.
- c) The principal place of business of the Company in Hong Kong is Room 2612, 26/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong.
- d) The joint company secretaries of the Company are Mr. Li Yonggang and Ms. Yung Mei Yee. Mr. Li Yonggang has been the head of listing office of Hong Yang Group Company since September 2016. Ms. Yung Mei Yee is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- e) The Company’s share registrar is Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong.
- f) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



Redsun Properties Group Limited

弘陽地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1996)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Redsun Properties Group Limited (the “**Company**”) will be held at Room 2612, 26/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong on Wednesday, 29 May 2024 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. The New Zeng Suqing Framework Purchase 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 Zeng Suqing Framework Purchase Agreement and the transactions and matters contemplated thereunder.
2. The New Zeng Huandong Framework Purchase 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 Zeng Huandong Framework Purchase Agreement and the transactions and matters contemplated thereunder.
3. The New Chen Baoshan Framework Purchase 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 Chen Baoshan Framework Purchase Agreement and the transactions and matters contemplated thereunder.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

4. The New Asset Leasing 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 Asset Leasing Agreement and the transactions and matters contemplated thereunder.

By Order of the Board
Redsun Properties Group Limited
Zeng Huansha
Chairman

Hong Kong, 29 April 2024

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, Link Market Services (Hong Kong) Pty Limited ("**Link Market**") at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, 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.rsunproperty.hk) in accordance with the Listing Rules.
6. Closure of Register of Members

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 May 2024 to Wednesday, 29 May 2024, both days inclusive. 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 Link Market at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Thursday, 23 May 2024.

As of the date of this notice, the executive Directors are Mr. Zeng Huansha, Mr. Zeng Junkai and Mr. Lui Wai Pang; and the independent non-executive Directors are Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung.