



Redsun Services Group Limited

弘陽服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1971)

Non-Executive Director:
Mr. ZENG Junkai (*Chairman*)

Executive Director:
Ms. ZENG Zixi

Independent Non-executive Directors:
Ms. WANG Fen
Mr. LI Xiaohang
Mr. ZHAO Xianbo

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22 August 2023

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS —
SUPPLEMENTAL PARKING SPACE SALES AND
LEASING AGENCY SERVICES FRAMEWORK AGREEMENT 1;
(2) MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS —
SUPPLEMENTAL PARKING SPACE SALES AND
LEASING AGENCY SERVICES FRAMEWORK AGREEMENT 2;
(3) RECTIFICATION OF BREACH OF THE LISTING RULES
AND
(4) NOTICE OF THE EXTRAORDINARY
GENERAL MEETING**

LETTER FROM THE BOARD

A. INTRODUCTION

References are made to (i) the Prospectus in relation to, among others, the Parking Space Sales and Leasing Agency Services Framework Agreement and the transactions contemplated thereunder between the Group and Redsun Properties; (ii) the CCT Announcement; (iii) the 2022 Annual Report; (iv) the Announcement ; and (v) the announcement of the Company dated 16 August 2023 in relation to the Second Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2.

The purpose of this circular is to provide you with, among other things, (i) further details of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements and the respective annual caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements 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 Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements and the respective annual caps; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

B. CONTINUING CONNECTED TRANSACTIONS — SUPPLEMENTAL PARKING SPACE SALES AND LEASING AGENCY SERVICES FRAMEWORK AGREEMENTS

1. Parking Space Sales and Leasing Agency Services Framework Agreement and Historical Refundable Deposits

As disclosed in the section headed “(D) Continuing Connected Transactions subject to Reporting, Annual Review and Announcement Requirements but Exempt From Circular and Independent Shareholders’ Approval Requirement — 1. Provision of Parking Space Sales and Leasing Agency Services to Redsun Properties and its Associates” of the Prospectus, on 11 March 2020, Nanjing Hong Yang Property Management, an indirect wholly-owned subsidiary of the Company, entered into the Parking Space Sales and Leasing Agency Services Framework Agreement with Redsun Properties, pursuant to which the Group agreed to provide sales agency services for unsold car parking spaces of Redsun Properties and its associates. On 8 December 2022, the Company entered into the New Parking Space Sales and Leasing Agency Services Framework Agreement with Redsun Properties. The agreement is valid from 1 January 2023 to 31 December 2025 and is renewable by mutual agreement of the parties, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

As disclosed in note 33 to the consolidated financial statements for the Reporting Period disclosed in the 2022 Annual Report, the Group entered into an agreement in relation to parking space sales agency services with a subsidiary of Redsun Properties, pursuant to which the Group paid the Historical Refundable Deposits in an aggregate amount of RMB200,910,000 during the Reporting Period, of which the outstanding

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balance of the Historical Refundable Deposits as at 31 December 2022 amounted to RMB188,072,642. As of the date of the Announcement, the outstanding balance of the Historical Refundable Deposit amounted to RMB153,529,221.

2. Principal Terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements

The Board hereby announces that, (i) on 7 June 2023, the Company and Redsun Properties entered into the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements; and (ii) on 16 August 2023, the Company and Redsun Properties entered into the Second Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2, pursuant to which members of the Group shall pay to members of Redsun Properties Group the Refundable Deposits in connection with the sales agency services contemplated under the Parking Space Sales and Leasing Agency Services Framework Agreement and the New Parking Space Sales and Leasing Agency Services Framework Agreement, respectively.

The following sets forth a summary of the principal terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1 and the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2 (as amended and supplemented by the Second Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2), with substantially similar terms and conditions:

Date	:	7 June 2023 and 16 August 2023, respectively
Parties	:	(a) the Company (for itself and on behalf of its subsidiaries); and (b) Redsun Properties (for itself and on behalf of its subsidiaries and associates)
Term	:	(i) for the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1: From 20 March 2020 to 31 December 2022 with retrospective effect (ii) for the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2: From 1 January 2023 to 31 December 2025 with retrospective effect, subject to renewal of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2 by mutual agreement of the parties

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Subject matter : In connection with the sales agency services contemplated under the Parking Space Sales and Leasing Agency Services Framework Agreement and the New Parking Space Sales and Leasing Agency Services Framework Agreement (as the case may be), members of the Group shall pay to members of Redsun Properties Group the Refundable Deposits in an amount equal to sales reserve prices of the relevant parking spaces (in the case of the unsold parking spaces).

In particular, the sales reserve prices of the relevant parking spaces are determined based on the following factors, namely (i) the average sales price of the sold parking spaces during the historical period of the project, and the cumulative depletion rate; (ii) the customer demand and popularity of parking spaces based on the sales rate, delivery rate and occupancy rate of the respective project's housing as well as the overall delivery time of the project, which reflects the customers' demand and popularity of the relevant parking spaces; and (iii) the sales price and sales situation of the parking spaces in the surrounding communities of the respective projects. Such sales reserve prices are reviewed regularly as after the end of each cooperation period, the above factors would be reconsidered and the base price of the unsold parking spaces would be re-determined according to the latest sales status of the respective projects before paying any upcoming Refundable Deposits.

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Pricing policy

- : With respect to the unsold parking spaces, the amount of the Refundable Deposits shall be equal to total sales reserve price of such unsold parking spaces, which is a unified standard of Redsun Properties applicable to the refundable deposits payable by an independent third party to them in respect of the same services and is in line with the industry practices. The total sales reserve price is calculated according to the formula below:

$$\begin{array}{l} \text{Total selling/} \\ \text{sales reserve} \\ \text{price} \end{array} = \begin{array}{l} \text{sales reserve} \\ \text{price of each} \\ \text{unsold parking} \\ \text{space} \end{array} * \begin{array}{l} \text{number of unsold} \\ \text{parking spaces} \\ \text{under the relevant} \\ \text{definitive sales} \\ \text{agency services} \\ \text{agreement(s)} \end{array}$$

The sales reserve price for the unsold parking spaces is determined with reference to (i) the popularity of the unsold parking spaces; (ii) the real estate market condition and the scope of services provided; and (iii) the location of the unsold parking spaces.

Other terms

- : With respect to the unsold parking spaces, the Refundable Deposits shall be refunded to the Group as follows:
- (a) for the parking spaces sold by the Group, the amount of the Refundable Deposits shall be set-off by the total sales reserve price for such parking spaces received by the Group;
 - (b) for the parking spaces failed to be sold by the Group, the Refundable Deposits shall be refunded in full within 30 working days after the expiration of (i) the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1 on 31 December 2022; and (ii) the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2 on 31 December 2025, respectively, or on the date(s) as agreed by parties under the relevant definitive sales agency services agreement(s) (whichever is earlier).

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Pursuant to the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1, the Company and Redsun Properties agreed to rectify the payment of the Historical Refundable Deposits, which shall also be subject to the terms thereunder (including but not limited to those relating to pricing policies and refundable mechanism). Please refer to Part B of the Announcement for further details.

3. Historical Transactions Amounts

The table below sets forth the historical transaction amounts of (i) the total agency fees paid by Redsun Properties and its associates to the Group; and (ii) the Historical Refundable Deposits paid by the Group to the Redsun Properties Group for the year ended 31 December 2022, pursuant to the Parking Space Sales and Leasing Agency Services Framework Agreement (as supplemented by the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1):

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
The total agency fees paid by Redsun Properties and its associates to the Group	—	—	—
Maximum daily balance of the Historical Refundable Deposits	—	—	200,910

In 2020 and 2021, the Company assisted to sell the parking spaces in a sporadic manner, which allowed the Company to achieve its annual profit targets. However, from 2022, due to the impact of the overall real estate industry situation, the Company had to obtain the exclusive right of providing the Parking Space Sales and Leasing Agency Services by paying the Refundable Deposits to further ensure the Company's sustainable profitability in the future and create sustainable value for Shareholders. Therefore, after comprehensive consideration, the Company is of the view that the payment of the Refundable Deposits since 2022 to the Redsun Properties Group is in the interests of the Company.

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4. Proposed Annual Caps and Basis for Determination

- (i) for the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1:

The table below sets forth the proposed annual caps for (i) the expected maximum aggregate agency fees to be charged by the Group to Redsun Properties and its associates for the three years ended 31 December 2022; and (ii) the Refundable Deposits to be paid by the Group to the Redsun Properties Group for the year ended 31 December 2022 pursuant to the Parking Space Sales and Leasing Agency Services Framework Agreement (as supplemented by the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1):

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Expected maximum aggregate agency fees to be charged by the Group to Redsun Properties and its associates	10,747	12,892	15,142
Maximum daily balance of the Refundable Deposits	—	—	200,910

For the avoidance of doubt, no Refundable Deposits was paid by the Group to the Redsun Properties Group for the two years ended 31 December 2020 and 2021. Save for the Historical Refundable Deposits of RMB200,910,000 paid by the Group in the year ended 31 December 2022, no other Refundable Deposits has been paid by the Group to the Redsun Properties Group as of the date of the Announcement.

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- (ii) for the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2:

The table below sets forth the proposed annual caps for (i) the expected maximum aggregate agency fees to be charged by the Group to Redsun Properties and its associates; and (ii) the Refundable Deposits to be paid by the Group to the Redsun Properties Group for the three years ending 31 December 2025 pursuant to the New Parking Space Sales and Leasing Agency Services Framework Agreement (as supplemented by the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2):

	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)
Expected maximum aggregate agency fees to be charged by the Group to Redsun Properties and its associates	36,007	36,007	36,007
Maximum daily balance of the Refundable Deposits	305,949	307,919	307,309

In arriving at the abovementioned proposed annual caps for the Refundable Deposits, the Directors have taken into account, among others, (i) the amount and balance of Historical Refundable Deposits during the relevant periods; (ii) the estimated value of the unsold parking spaces of Redsun Properties Group available for sale by the Group as an agent for the year ended 31 December 2022 and the three years ending 31 December 2025, respectively; and (iii) the cash flow and working capital of the Group. For details of the basis of determination of the proposed annual caps for the agency fees, please refer to the section headed “Continuing Connected Transactions” of the Prospectus and the CCT Announcement.

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5. Reasons for and Benefits of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements

The provision of Parking Space Sales and Leasing Agency Services by the Group to Redsun Properties Group contemplated under the Parking Space Sales and Leasing Agency Services Framework Agreement and the New Parking Space Sales and Leasing Agency Services Framework Agreement is consistent with the business and commercial objectives of the Group. Leveraging the Group's long-term relationship with the Redsun Properties Group, the entering into of the Parking Space Sales and Leasing Agency Services Framework Agreement and the New Parking Space Sales and Leasing Agency Services Framework Agreement enables the Group to continue to diversify its income streams. Further, the Group agreed to, based on business situation, pay the Refundable Deposits to the Redsun Properties Group and entered into the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements in anticipation of the continuation of such types of services, which is believed to be conducive for the Group to ensure a stable income stream and enhance profitability as a whole since the Group would be able to obtain the exclusive right to provide the Parking Space Sales and Leasing Agency Services. In addition, the refund mechanism for the Refundable Deposits has been agreed by the parties and explicitly provided under the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements, therefore, the Company believes that the risks in respect of the recoverability of the Refundable Deposits are controllable by the Group.

To safeguard the interests of the Group, the Group has adopted and will continue to adhere to, among others, the following internal control measures to ensure the recoverability of the Refundable Deposits placed with the Redsun Properties Group:

- (i) the finance department of the Company closely monitors the payment from the sales of the parking spaces which is collected by Redsun Properties every month, and offset the balance of the paid Refundable Deposits on a monthly basis;
- (ii) since the Refundable Deposits are paid based on the estimated depletion of the overall parking spaces in the following year of the project, the Company closely monitors the overall depletion of the project's parking spaces and the occupancy of the housing owners on a monthly basis to calculate the depletion rate, and evaluates the possibility of achieving the remaining depletion target of the parking spaces throughout the year to monitor the risk of recovering the Refundable Deposits;
- (iii) the Company holds a special meeting with the project companies of Redsun Properties every quarter to communicate and understand the overall sales status of the parking spaces of the respective projects in order to evaluate (a) the latest financial status of the project companies of Redsun Properties; (b) the liquidity risk and net asset value; and (c) the default risk and repayment ability, so that the credit risk related to the Refundable Deposits is minimized;

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- (iv) if the sales of individual project parking spaces fail to meet expectations, i.e. when there is a risk of the recoverability of the Refundable Deposits, the Group will communicate with the management of Redsun Properties as a whole, and negotiate for the delivery of higher quality parking spaces from the other projects as compensation;
- (v) the Group generally adopts a policy under which the maximum daily balance of Refundable Deposits shall not be more than 50% of the cash and cash equivalents balances. In order to monitor the maximum daily balance of the Refundable Deposits, the Company shall, on a weekly basis, compare the expected maximum daily balance of the Refundable Deposits payable to the relevant members of Redsun Properties Group in connection with the Parking Space Sales and Leasing Agency Services pursuant to the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements (as the case may be) with the then prevailing cash and cash equivalents balance of the Group to ensure that the aforesaid 50% threshold is not exceeded;
- (vi) the Group will regularly review the latest financial position of Redsun Properties Group, evaluate the liquidity risk and the scale of its net assets to assess the default risk such that the credit risk in connection with the payment of the Refundable Deposits is minimized and managed carefully by the Group; and
- (vii) the independent non-executive Directors will also review the implementation, payment and refund of the Refundable Deposits to ensure that the Refundable Deposits are paid out and refunded in accordance with the terms as set out in the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements.

Notwithstanding that the Company considers that the above internal control measures are adequate and sufficient to ensure the recoverability of the Refundable Deposits placed with the Redsun Properties Group, the Group has further adopted the following internal control measures to safeguard the interests of the Group in the event that the Redsun Properties Group fails to return the Refundable Deposits after the expiration of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements:

- (i) the Group will instruct its internal legal team to cooperate with the finance department of the Company to supervise and monitor the repayment progress of the Redsun Properties Group and engage its external legal advisers to take the appropriate legal actions against the Redsun Properties Group as and when appropriate pursuant to the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements;

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- (ii) the Group will offset the amount of the Refundable Deposits owing by the Redsun Properties Group to the Group upon the expiration of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements against any amount due from the Group to the Redsun Properties Group in the other transactions between the Group and the Redsun Properties Group; and
- (iii) any potential negotiation on future cooperations with the Redsun Properties Group and other entities related to the Redsun Properties Group will be suspended and the Group will not enter into any further transactions with the Redsun Properties Group until the full repayment of the Refundable Deposits by the Redsun Properties Group and approval from the chief executive officer of the Company.

The terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements have been arrived at after arm's length negotiations between the parties thereto. The Directors (other than the independent non-executive Directors who express their views in this circular after considering the advice of the independent financial adviser) are of the view that the terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

6. Information on the Parties to the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements

The Group

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

Redsun Properties

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

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7. Implications under the Listing Rules

As of the Latest Practicable Date, Redsun Properties is indirectly held as to 71.88% by Mr. Zeng Huansha, the ultimate controlling Shareholder of the Company. Therefore, Redsun Properties is an associate of Mr. Zeng Huansha and thus constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the Refundable Deposits contemplated under the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 1 exceed 5% but are less than 25%, such payment of the Refundable Deposits constitutes a discloseable transaction and continuing connected transactions of the Company and is subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Meanwhile, as one or more of the applicable percentage ratios of the proposed annual caps in respect of the Refundable Deposits contemplated under the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreement 2 exceed 25% but are less than 100%, such payment of the Refundable Deposits constitutes a major transaction and continuing connected transactions of the Company and is subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

C. RECTIFICATION OF BREACH OF THE LISTING RULES

1. Reasons for Failure to Identify the Notifiable Transaction(s) and Continuing Connected Transactions

As disclosed in the section headed "7. Implications under the Listing Rules" in Part A of the Announcement, the payment of the Refundable Deposits as contemplated under the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements constitutes notifiable transactions (a discloseable transaction with respect to the Supplemental Parking Space Sales and Leasing Agency Agreement 1, and a major transaction with respect to the Supplemental Parking Space Sales and Leasing Agency Agreement 2) and continuing connected transactions of the Company under the Listing Rules.

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During the Reporting Period, the Company had paid the Historical Refundable Deposits in an aggregate amount of RMB200,910,000 to Redsun Properties, among which the amount of RMB188,072,642 remained outstanding as of 31 December 2022 and the amount of RMB151,839,663 remains outstanding as of the Latest Practicable Date. As one or more of the applicable percentage ratios in respect of the Historical Refundable Deposits exceed 5% but are less than 25%, such payment of the Historical Refundable Deposits constituted a discloseable transaction and continuing connected transactions of the Company and is subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. As the Company had not complied with such applicable requirements prior to making the payment of the Historical Refundable Deposits, such payment constituted a breach of Chapter 14 and Chapter 14A of the Listing Rules.

The Board wishes to clarify that the abovementioned breach of the Listing Rules was due to an inadvertent oversight. Since the Group has been involved in a number of continuing connected transactions with Redsun Properties Group (including those contemplated under the Parking Space Sales and Leasing Agency Services Framework Agreement), the Company was mistaken of the nature and classification of the Refundable Deposits. The Company regrets such unintentional breach of the Listing Rules and reiterates its belief that continuing compliance with the Listing Rules and other applicable regulatory requirements is of utmost importance.

2. EGM

The Company proposes to put forward ordinary resolutions at the EGM for the Independent Shareholders to consider and, if thought fit, approve the entering into of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements, the transactions contemplated thereunder and the rectification of the payment of the Historical Refundable Deposits. In the event that such ordinary resolutions are not passed at the EGM, Redsun Properties (for itself and on behalf of its subsidiaries and associates) undertakes to refund the outstanding balance of the Historical Refundable Deposits to the Group within five working days after the date of the EGM.

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As disclosed hereinabove under the section headed “C. RECTIFICATION OF BREACH OF THE LISTING RULES”, the breach of the Listing Rules was due to an inadvertent oversight of the Group and that the Company has immediately begun to discuss and subsequently entered into the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements with Redsun Properties Group and made the required disclosure pursuant to the Listing Rules, in order not to affect the normal development of the parking space sales business. The Company is of the view that the formulation of the terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements are in line with industry practice, is fair and reasonable and in the interests of the Company, which will continue to improve the Company’s sustainable profitability and continue to create value for the Shareholders. As the opinion of the Shareholders are of utmost importance to the Company, if the resolutions are vetoed by the Independent Shareholders, the Company will take immediate action to terminate the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements (where applicable) and negotiate with Redsun Properties Group to formulate a specific deposit repayment plan, including but not limited to cash repayment or asset offset.

As at the Latest Practicable Date, Redsun Services Group (Holdings) Limited is a controlling Shareholder, directly holding approximately 72.77% of the entire issued share capital of the Company. Redsun Services Group (Holdings) Limited is wholly owned by Hong Yang Group Company Limited, which in turn is wholly owned by Hong Yang International Limited, which in turn is owned as to 50% and 50% by Hong Yang Group (Holdings) Limited (a company wholly-owned by Mr. Zeng Huansha) and Mr. Zeng Huansha, respectively. Accordingly, Redsun Services 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 non-exempt continuing connected transactions and their respective annual caps.

3. Enhanced Internal Control Measures

To safeguard the interests of the Group, the Group has adopted and will continue to adhere to (among others) the following internal control procedures in respect of its continuing connected transactions with the Redsun Properties Group:

- (i) maintaining a list of connected persons and circulating such list together with copies of the relevant extracts of the Listing Rules to the relevant personnel and senior management of each member of the Group, and such connected persons list shall be updated by personnel/senior management of the relevant subsidiary from time to time;
- (ii) reviewing and monitoring the data relating to continuing connected transactions (including annual cap amount, monthly transaction amount and cumulated amount etc.) from time to time; and
- (iii) reporting any potential connected transaction(s) to the relevant personnel and senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules.

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Further, to prevent reoccurrence of similar breaches of the Listing Rules in the future, the Group will put in place the following internal control measures:

- (i) providing internal trainings on connected transaction(s) to all the relevant personnel, including senior management in all business departments of the Group on a regular basis to reinforce and re-explain the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules; and
- (ii) for any potential transaction(s) which may constitute new connected transaction(s) of the Group, consulting professional advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into of such transaction(s).

D. GENERAL INFORMATION

1. Directors' Confirmation

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

None of the Directors has a material interest in respect thereof and was required to abstain from voting on the relevant resolution of the Board.

2. Independent Board Committee and Independent Financial Adviser

Pursuant to the Listing Rules, the Independent Board Committee has been established to advise the Independent Shareholders on the entering into of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements, the transactions contemplated thereunder and the rectification of the payment of the Historical Refundable Deposits. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the entering into of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements, the transactions contemplated thereunder and the rectification of the payment of the Historical Refundable Deposits.

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E. CLOSURE OF REGISTER OF MEMBERS

To attend and vote at the EGM

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 7 September 2023 to Tuesday, 12 September 2023, both days inclusive. In order to be eligible to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 6 September 2023.

F. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 53 to 54 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 72 of the Articles of Association, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rsunservice.hk). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so desire.

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

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G. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 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 Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements and the respective annual caps and the transactions contemplated thereunder, and the rectification of the payment of the Historical Refundable Deposits, and the principal factors and reasons considered by them in arriving such recommendations and set out on pages 24 to 43 of this circular.

The Independent Board Committee, having considered the terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements, the rectification of the payment of the Historical Refundable Deposits, and the advice of the Independent Financial Adviser, are of the opinion that: (i) the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements are entered into in the ordinary and usual course of business of the Company on normal commercial terms or better; (ii) the terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements (including the proposed annual caps for the Refundable Deposits thereto) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the rectification of the payment of the Historical Refundable Deposits is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements (including the proposed annual caps for the Refundable Deposits thereto), the transactions contemplated thereunder and the rectification of the payment of the Historical Refundable Deposits.

Based on the information set out in this circular, the Directors (including the independent non-executive Directors) is of the view that the terms of the Supplemental Parking Space Sales and Leasing Agency Services Framework Agreements (including the proposed annual caps for the Refundable Deposits thereto), the transactions contemplated thereunder, and the rectification of the payment of the Historical Refundable Deposits are fair and reasonable and in the interests of the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

H. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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



